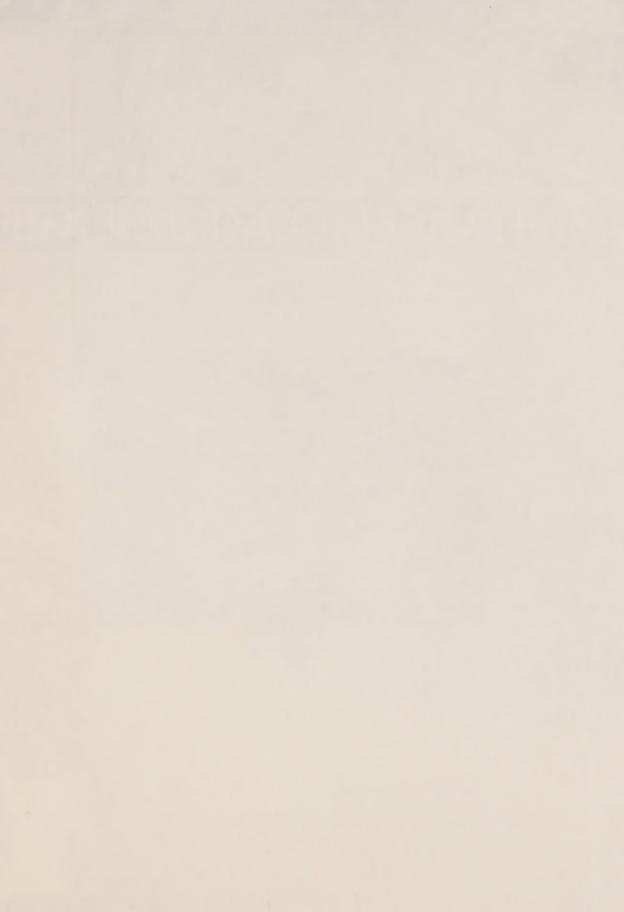


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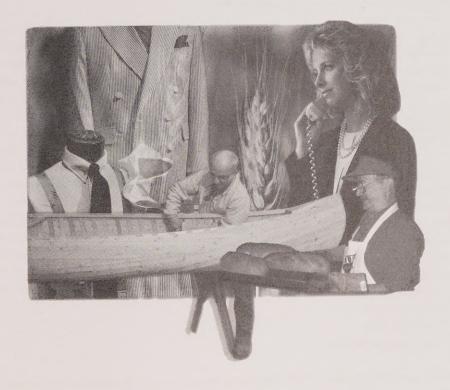
Small Business Guide to FEDERAL INCORPORATION



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Small Business Guide to FEDERAL INCORPORATION



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A Message from the Minister

Industry Canada is committed to supporting the growth of our nation's small and medium-sized enterprises (SMEs). Canada now has more than 2.3 million of these businesses, and the number is growing. They are leading the way in job creation in our country, and account for half of all private sector employment and almost half of Canada's economic output.

The Canada Business Corporations Act (CBCA) is the federal business law applying to Canadian businesses of all sizes, including SMEs. Part of Industry Canada's commitment to supporting small businesses is ensuring that they have ready access to knowledge about their rights and obligations under the CBCA. Therefore, Industry Canada's Corporations Directorate has developed this **Small**

Business Guide to Federal Incorporation to give owners and others responsible for small businesses step-by-step directions on whether to incorporate, how to go about doing so, and what activities you must carry out to remain in compliance with the CBCA. The Guide also includes some samples of

incorporating documents, by-laws and other corporate records to help you maintain the appropriate records and potentially reduce external costs to the business.

I hope this Guide will be useful to small business owners and operators who wish to set up and run a corporation in accordance with the legal requirements of the CBCA. Members of the staff of the Corporations Directorate are dedicated to providing quality service and are available to answer your questions.

Small businesses are the key to jobs and economic growth in Canada. Your choice of federal incorporation will put the Government of Canada to work for you. I wish you much success in your business venture.

The Honourable John Manley Minister of Industry Winter 1998

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Preface

The purpose of this Guide is to give the reader a general overview of federal corporate law under the *Canada Business Corporations Act* (CBCA). It provides the basic knowledge and tools that business owners and operators need to incorporate and operate a small or medium-sized private company under the federal corporate law.

The Guide provides useful hints to help you meet CBCA requirements for federal incorporation. It assumes that you are past the initial business concept stage and that you have made or are in the process of making a decision to incorporate.

The Guide focusses on general incorporation issues for small businesses under the CBCA. (Note that banking, insurance, loan and trust companies as well as non-profit corporations are incorporated under different statutes in Canada.) Much of the discussion in this Guide applies only to companies with fewer than 15 shareholders, since most small businesses, at least at the beginning, have fewer than 15 shareholders anyway. It does not describe matters relating only to publicly held corporations or only to situation-specific provisions such as takeover bids or management proxy solicitations. Instead, the focus here is — and stays — on the information you need to incorporate and run your small business under federal jurisdiction.

While this Guide is aimed at the small, oneowner corporation, some information that a corporation with several shareholders/directors will want to consider is included. As you review the material, you may find that some sections contain more information than you feel you need at the start. We suggest you hold onto the Guide; as your business develops, you may want to refer to these sections at a later time.

The answers to frequently asked questions (FAQs) and a glossary of terms are included for your reference. The annexes contain samples of forms you may wish to check before submitting your articles of incorporation under the CBCA; you may adapt the wording contained in them for your own circumstances. There are also samples of minutes of typical annual general meetings, resolutions, by-laws and annual returns.

Helpful suggestions or sources for more information appear in boxes accompanying the text throughout the Guide. Key CBCA provisions are cited in the text. A complete copy of the CBCA is available electronically via the Internet at the following address:

http://canada.justice.gc.ca/FTP/EN/Laws/ Title/C/index.html (English) http://canada.justice.gc.ca/FTP/FR/Lois/ Titre/C/index.html (French).

Instructions on how to contact our corporate specialists as well other federal government resources for SMEs who can meet your specific needs are included at the back of this Guide in the Contacts section. In addition, the Corporations Directorate has prepared information kits with instructions on how to incorporate your company and maintain or change its status under the CBCA. A list of titles and where to obtain them is included in the Contacts section.

A caution: This Guide is not legal advice. It does not discuss all of the other federal and provincial laws that impose obligations on CBCA corporations and their operators, nor does it attempt to deal exhaustively with the CBCA. It does, however, provide the basic knowledge and tools that a small or medium-sized business operator needs for incorporating and operating a private company under the CBCA.

Contents

1 Why Should I Incorporate?	1
2 Submitting Articles of Incorporation	7
3 Organizing Your Company	14
4 Complying with the CBCA	19
5 Shareholders	25
Frequently Asked Questions	31
Glossary of Terms	33
Annexes	
A — Sample Articles of Incorporation: One Class of Shares	35
B — Sample Articles of Incorporation: Two Classes of Shares	38
C — Sample Form 3 — Notice of Registered Office	42
D — Sample Form 6 — Notice of Directors	43
E — Sample Organizational Resolutions	44
F — Sample By-law	50
G — Sample Notice of Annual General Meeting and Minutes	
of an Annual General Meeting	56
H — Sample Form 22 — Annual Return	60
Contacts	
Corporations Directorate Staff and List of Information Kits Available	61
Other Federal Government Resources of Interest to Small Businesses	64
Small Business Tax Requirements and Services	65



1 Why Should I Incorporate?

"I am starting a new business. Should I incorporate?" This is one of the most frequently asked questions by entrepreneurs. The answer usually is "it depends."

Factors to consider are the benefits of incorporating (rather than operating your business as a sole proprietorship or partnership) and the implications that incorporating may have on your business. Then you will have to choose between either federal or provincial incorporation.

Your choice really depends on the circumstances facing you at a particular time, and these may change over time. Therefore, even if you are not ready to incorporate now, you should keep this Guide for later reference as your circumstances change.

The federal business law in Canada is the *Canada Business Corporations Act* (CBCA). When the CBCA was first made law in 1975, it introduced the notion of "incorporation as of right." In other words, when you properly complete the application form set out in the CBCA (known as the articles of incorporation), provide certain information (acceptable business name, directors and address of registered office) and pay the appropriate fee, you will be issued a certificate of incorporation. This makes federal incorporation a very simple process.

1.1 Benefits of Incorporating

- ▷ Limited Liability
- □ Greater Access to Capital

1.2 Implications of Incorporating

- ▷ Increased Paperburden
- ➤ Required: Directors, Officers and Shareholders

1.3 Benefits of Incorporating Federally

1.1 Benefits of Incorporating

Separate Legal Entity

The act of incorporation gives life to a legal entity known as the corporation, commonly referred to as a "company" (throughout this Guide, the terms "corporation" and "company" are used interchangeably). A corporation has the same rights and obligations under Canadian law as a natural person. A corporation can acquire assets, go into debt, enter into contracts, sue or be sued, and even in some situations be found guilty of committing a crime. A company's money and other assets belong to the company and not to the shareholders.

(CBCA section 15)

Once incorporated, the company's separate legal status, property, rights and liabilities continue to exist until the company is dissolved, even if one or more of its shareholders or directors sell their shares, die or leave the company.

Limited Liability

The act of incorporation limits the liability of a company's owners or shareholders. As a general rule, shareholders of a company are not liable for the company's debts. If the company goes bankrupt, then a shareholder will not lose more than his or her investment (unless the shareholder has provided personal guarantees for the company's debts). A creditor cannot sue shareholders for liabilities (debts) incurred by the corporation, even though shareholders are owners of the corporation.

(CBCA section 45)

Note, however, that if a shareholder has another relationship with the corporation, for example, as a director, then he or she in certain circumstances may be liable for the debts or liabilities of the corporation in that capacity.

The CBCA as well as many other federal and provincial statutes impose various duties on directors. In general, these duties or liabilities are imposed where the legislature has decided that a certain act or failure to act is of sufficient importance to warrant going beyond the general rule of limited liability (see Section 4.2 — Duties and Liabilities of Management).

Lower Corporate Tax Rates

A corporation is taxed separately from its owners and generally at a lower tax rate. For example, active private companies in Ontario pay a combined flat tax of approximately 23 percent on the first \$200 000 of taxable income. This may be significantly lower than your personal tax rate.

Once dividends are paid out to the share-holders of a company, those dividends are taxable in the hands of the shareholders at the shareholders' personal tax rate. The corporate structure does permit some measure of tax deferral, since you decide when to pay out the company's earnings by way of dividend. Until you do so, this money is taxed only at the lower corporate rate, not at the personal rate.

Note that losses from the business cannot be written off against other personal income the owners or shareholders may have.

For more information on the tax benefits and implications of incorporation, consult the Revenue Canada Small Canadian Business Guide. It covers such matters as business and professional income, and payroll deductions. For the Revenue Canada office nearest you, consult the Blue Pages of your telephone directory or reach Revenue Canada on-line at http://www.rc.gc.ca/. Your accountant or lawyer will also be able to provide you with comprehensive tax advice.

Greater Access to Capital

Raising capital is often easier for corporations than for other forms of business. For example, corporations are entitled to issue bonds or share certificates to those who invest money in the company. Other forms of business must rely solely on their own money and loans for capital. Reliance on these latter means of financing often limits a business's ability to expand.

Corporations often are able to borrow capital at a much lower rate than other forms of business. This is probably because financial institutions and other sources of financing perceive loans to corporations as being less risky investments.

While the reasons are not wholly clear, many financial institutions believe corporations (as opposed to partnerships or sole proprietorships) are better loan risks, and therefore feel more comfortable providing capital to corporations. They are supported in this view by studies showing that incorporated businesses are more successful than unincorporated ones.

For more information on how SMEs can finance their business venture, check out Industry Canada's Strategis web site at:

http://strategis.ic.gc.ca/sc_mangb/sources/ engdoc/homepage.html (English) http://strategis.ic.gc.ca/sc_mangb/sources/ frndoc/homepage.html (French).

Continuous Existence

Unlike a partnership or sole proprietorship, a corporation does not cease to exist upon the death of its owner(s). Even if every shareholder and director were to die, the corporation would still live on, and ownership would transfer to the shareholders' heirs. This assurance of continuous existence gives a business greater stability, allowing it to carry out planning over a longer term and to obtain more favourable financing terms.

1.2 Implications of Incorporating

Higher Start-up Costs

Start-up costs are higher if you choose to incorporate rather than carry on business as a sole proprietorship or partnership. These start-up costs are directly related to the process of setting up the corporation, as well as any professional fees for legal and accounting services. While it is not necessary to obtain legal advice to incorporate, it would certainly be worthwhile to do so if you are considering setting up with a complex share structure.

On the other hand, the higher start-up costs may be offset by the lower financing and tax rates that corporations often enjoy. Moreover, obtaining financing may be easier because lenders are generally more accustomed to dealing with corporations than with other forms of business.

Increased Paperburden

Carrying on business as a corporation may increase the number of filings you are required to make. For instance, the CBCA requires that you file each year an annual return (Form 22 — see Annex H) and also inform the Corporations Directorate of any changes in your board of directors and/or location of your registered office (Forms 3 and 6 — see Annexes C and D). You will also be required to file separate income tax returns for yourself and your company, which may lead to an increase in your ongoing professional costs. Your company is also required to maintain certain corporate records (see Section 4.1 — Corporate Records).

Further, you will likely be required to register your company in any province or territory where you carry on business. Registration is different from incorporation. While a company may be incorporated only once, it may be registered in any number of jurisdictions to carry on business. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine what filing requirements you will have to fulfil.

Required: Directors, Officers and Shareholders

Although a corporation is a distinct legal entity, it does not have a physical presence. It must act through people. There are three main types of persons who may have an interest in a particular corporation and through whom it acts:

- directors
- officers
- · shareholders.

Individuals may hold more than one position in a company. For example, the same person may be a shareholder, a director and an officer, or even the sole shareholder, director and officer.

The directors are responsible for supervising the management of the company's business. Your company's articles of incorporation will specify the number or minimum and maximum numbers of director. You must have at least one director.

(CBCA sections 6, 102, 105)

Officers may hold positions in the company such as President, Chief Executive Officer, Secretary and Chief Financial Officer. They are appointed by the board of directors. The duties of the company's officers are normally found in its by-laws. In general, the directors assign the officers the responsibility to manage and execute the day-to-day business of the corporation.

(CBCA section 121)

Shareholders, who own the company, make decisions by passing resolutions, usually at meetings (see Section 5.3 — *Shareholders' Meetings*). One of the most important decisions that shareholders make is the election of directors.

If you are considering a business venture involving more than one individual (fellow shareholders), think about obtaining legal advice on entering into a shareholder agreement. Shareholder agreements can be useful in establishing the rules by which the shareholders make decisions and, most importantly, in resolving disputes among themselves. While this subject is beyond the scope of this Guide, Section 5.4 — Shareholder Agreements reviews these documents in very general terms.

1.3 Benefits of Incorporating Federally

In Canada, you have the choice of 12 provincial and territorial jurisdictions and one federal jurisdiction of incorporation. While company law statutes in Canada are quite similar, incorporation under the CBCA does offer certain distinct advantages.

CHAPTER ONE WHY SHOULD I INCORPORATE?

Heightened Name Protection

One of the reasons most often given by our clients for choosing federal incorporation is the heightened name protection provided to federal corporations, seen as an important element of the right to carry on business throughout Canada. While every incorporating jurisdiction in Canada screens potential corporate names (see Section 2.1 — Choose a Name), the level of scrutiny varies from province to province. At the Corporations Directorate, we apply the most stringent of tests before granting the right to use a particular name. What does this stringency mean to you, the client? It is a guarantee that once your corporation obtains its name, that name has a protected status second only to trade-mark protection.

A related benefit is the constitutional right of a CBCA company to carry on business anywhere in Canada. "Carrying on business" includes the right to do so under your own name. All corporations, including CBCA corporations, may be required by a province or territory to register to carry on business within its borders, and to register its name for exclusive use within that province or territory. If you are incorporated under one province's legislation and later wish to expand your business to another, a company name similar to yours may already be in use in that other province. Only with CBCA incorporation can you be assured of being able to operate under your corporation's own name throughout Canada, both now and later.

Location Flexibility

Incorporation under the CBCA offers flexibility not available under other jurisdictions. For instance, the CBCA does not set restrictions regarding the province or territory where your head office is located, your corporate records are maintained and your annual general meetings are held.

High-quality Service

The Corporations Directorate takes great pride in its customer service standards. Turnaround times for various services such as incorporation are a matter of public record, as are the Corporation Directorate's results in reaching such standards.

As a service provider in a competitive market, the Corporations Directorate is always pursuing ways to make itself more accessible and convenient to clients. For example, it will soon offer clients an Electronic Business Environment filing service that allows you to send documents to — and receive documents from — the Director under the CBCA.

The Electronic Business Environment initiative will ensure that the Corporations Directorate is as close as your computer. Visit our web site at:

http://strategis.ic.gc.ca/sc_mrksv/corpdir/ engdoc/homepage.html (English) http://strategis.ic.gc.ca/sc_mrksv/corpdir/ frndoc/homepage.html (French).

Resource for Small Businesses

Industry Canada, including the Corporations Directorate, views SMEs as the key to jobs and economic growth in our country.

Dealing with a complex piece of legislation, like the CBCA or any of the provincial and territorial incorporation statutes, can be daunting to many individuals. Incurring professional fees to help deal with them can often be beyond the reach of people starting out in a business venture.

The Corporations Directorate therefore has invested much time and effort in developing materials, such as this Guide, designed to help the small business person through the steps involved in starting and operating a corporation. Most of these are available in both paper and electronic forms (see the Contacts section at the back of this Guide for a list of these materials). Do-it-yourself information kits on most aspects of the CBCA as well as

policy statements and guidelines clarifying the position of the Director under the CBCA on various matters are also available.

New materials are continually being prepared in consultation with clients. In addition, a great deal of research and analysis is being done with respect to developing new services, policies and legislative or regulatory amendments. For example, Industry Canada has recently concluded a series of crosscountry consultations on a project designed to significantly reform the CBCA.

Regardless of your location in Canada, incorporation under the CBCA is available to you. With federal incorporation comes excellence in customer service, a focus on accessibility and, of course, the status of being a federal corporation. **We are your jurisdiction of choice**.

2 Submitting Articles of Incorporation

Once you have decided to incorporate, there are some simple steps you must take to set up your company. Federal corporations are formed by filing articles of incorporation with the Corporations Directorate. In filling out these basic forms, you will need to make some decisions on the name of the business, location of registered office, who will serve as directors, etc.

Annex A contains a sample of Form 1 — *Articles of Incorporation* completed for a basic type of company with only one class of shares. Annex B provides another sample of a completed Form 1, but for a company with two classes of shares.

Additional forms must accompany the articles of incorporation:

- Form 3 Notice of Registered Office or Notice of Change of Registered Office (see Annex C for a sample)
- Form 6 Notice of Directors or Notice of Change of Directors (see Annex D for a sample).

To incorporate under the CBCA, you must correctly complete two copies of the three forms, all bearing original signatures (you may copy the forms themselves so long as the signatures are original). Deliver them to the Corporations Directorate at the address listed under Contacts at the back of this Guide. The Corporations Directorate will keep one set of documents on file and return the other set to you with your certificate of incorporation. It will also assign your company

- 2.1 Choose a Name
- 2.2 Locate Your Registered Office
- 2.3 Describe Your Shares
- 2.4 Set Out Restrictions on Share Transfer
- 2.5 Choose Your Directors
- 2.6 Set Any Restrictions on Activities
- 2.7 Other Provisions: Private Company Restrictions/Other Clauses
- 2.8 Sign Your Articles of Incorporation
- 2.9 Remit the Filing Fee

a corporation number, which will appear on the certificate of incorporation. Your business is incorporated as of the date of your certificate of incorporation.

Free information kits on the incorporation process, which include blank copies of the required forms, are available from the Corporations Directorate through its Flashfax service, electronically through its Internet address or in paper copy from its head office (see Contacts at the back of this Guide).

To better assist you in completing these forms, the following information is presented in the same sequence as the various items appear in Forms 1, 3 and 6.

2.1 Choose a Name

(Form 1, Item 1)

Every corporation needs a name. In order to protect the public and avoid confusion, this name must be distinct from the names of all other corporations. All Canadian jurisdictions

regulate corporate names to ensure that the public is not misled by confusingly similar corporate names. The degree of scrutiny differs from one jurisdiction to another. The Corporations Directorate applies the most rigorous of standards for name granting in Canada.

The Corporations Directorate has prepared the Name-granting Guidelines, a reference document containing greater detail to help you choose a name for your corporation (see Contacts at the back of this Guide).

What's in a Name?

A corporate name generally contains three elements:

- a distinctive element (perhaps a surname or other unique term)
- a descriptive element (e.g. Manufacturing, Consulting, Trading)
- a mandatory legal element (e.g. Corp., Inc., Ltd.).

Name Request

In order to see if your name of choice is available for registration under the CBCA for your exclusive use anywhere in Canada, you must obtain a Canada-biased name search called a Newly Upgraded Automated Name Search (NUANS) report. You will have to ask a search house to provide you with this report, which on average costs about \$75.

A search house is an independent, private sector business that can verify the availability of your corporate name choice. See the Yellow Pages of your telephone directory under "Searchers of Records."

Is the Name Acceptable?

You or your search house will then submit the results of the NUANS search, along with your articles of incorporation, to the Corporations Directorate for review to determine if the name requested is available. Various tests are used, as explained in detail in the *Name-granting Guidelines*. Some of these tests are described below:

- Does the proposed name contain any words or phrases that are prohibited? Examples are "Parliament Hill" "RCMP" "Cooperative" "Air Canada" "United Nations"
- Is the proposed name obscene?
- Is the proposed name too general?

 Is it only a geographical name such as

 North West Inc., or only an individual's

 name such as Joe Smith Inc.?
- Is the proposed name so similar to the name of another corporation that both names appear to refer to the same business?
- Does the proposed corporation have a foreign affiliate with a similar name? If so, it may be necessary to provide written consent of the foreign affiliate and add an element to your proposed name to distinguish it, such as ABBA Consulting Canada Inc.

If Your Name Is Refused

Clients at times have been surprised by a refusal to grant a name, particularly if the NUANS report appears to indicate that there are no similar names already in existence. The Corporations Directorate sometimes must reject a proposed corporate name simply because it has insufficient background information on which to base a name-granting

CHAPTER TWO SUBMITTING ARTICLES OF INCORPORATION

decision. If the name you have chosen is rejected, your articles of incorporation will be returned to you, along with a request for you to explain the name more fully. To help clients propose acceptable company names, the Corporations Directorate has developed a Corporate Name Information Form. The additional information you provide in this form when requested to do so is often enough to persuade the Corporations Directorate of the uniqueness of your chosen name. If not, you will then have to choose an alternate name and obtain a new NUANS report, at additional expense.

Pre-approval of Name

If you are uncertain about the availability of the name you have chosen, you may send along your NUANS report to the Corporations Directorate for a name decision letter in advance of filing your articles of incorporation (without paying the filing fee). If your name choice is accepted, the letter will reserve it for 30 days while you prepare the articles of incorporation. If the name choice is not accepted, you will be spared the effort and expense of compiling and submitting the articles of incorporation fruitlessly.

Number Name

It is not always necessary to order and file a NUANS report. You may instead request the Corporations Directorate to assign a number for your corporation (e.g. 1234567 Canada Ltd.) at the time your articles of incorporation are processed. Many SMEs and holding companies choose this option when a corporate name is not important, thus ensuring faster processing and saving the expense of ordering a NUANS report.

Another possibility is to apply for a number name now and later submit a NUANS report along with articles of amendment for a change in name, together with the appropriate fee. Some of our clients choose this option when they want to be incorporated quickly, and realize there may be a delay in finding a suitable name.

Forms 3 and 6

Restate your name request in Form 3, item 1, and Form 6, item 1. If the Corporations
Directorate approves your name choice, it will assign a corporation number to be inserted in item 2 on both forms. For now, you will leave item 2 blank.

(CBCA sections 10-12; CBCA Regulations 12-28)

2.2

Locate Your Registered Office

(Forms 1 and 3)

A CBCA company must have a registered office within Canada. The purpose of the registered office is to establish a location where official forms and notices can be delivered to the company. A post office box may not be used as a registered office address.

Form 1, Item 2

Name the place in Canada where the registered office is to be located. Do not set out a specific civic address in Form 1. It is a good idea to set out a fairly broad description of this place. For example, it could be Metropolitan Toronto instead of a more precise vicinity, say, the City of Oakville. Then, if your company changes addresses within the broader location, you can submit a Form 3 indicating only the change of address, for

which no filing fee is required. (If you file articles of amendment later to indicate a change in the broad location, there will be a filing fee.) Note, however, that too broad a description, such as "in Canada" or "in the province of British Columbia" will lead to a rejection of your articles of incorporation.

Form 3, Items 3, 4 and 5

Copy the location information from Form 1, item 2, to Form 3, item 3.

Provide the civic address of your registered office in Form 3, item 4. This address must be situated within the metropolitan area noted in the previous item.

Since this is your first company address, simply note "not applicable" or "n/a" in items 5 and 6 of Form 3, which are to be filled in when you change your registered office address.

(CBCA sections 19, 173; CBCA Regulations — Forms 1 and 3)

2.3 Describe Your Shares

(Form 1, Item 3)

An incorporated business can issue shares, which represent ownership interest in the corporation and give the holder a say in how the company is being run through the rights attached to the shares. You must specify in your articles of incorporation how many classes of shares and the maximum number (usually unlimited) for each class your company is authorized to issue. Unless you otherwise specify here, one share entitles the holder to vote at shareholders' meetings.

Shares are property, much like a car or house. The shares and the rights that go with them (you may often hear the phrase "rights that are attached to the shares") can be transferred (sold), provided that the transfer is made in accordance with any conditions or restrictions that apply to the particular shares, discussed further below.

Under the CBCA any "person" may hold shares in any company. In addition to an individual, the definition of "person" includes legal entities that are not individuals, such as trusts, mutual funds and other corporations.

Classes of Shares

Shares in general have three inherent rights:

- the right to vote
- the right to receive dividends (if any have been declared by the board of directors)
- the right to receive the property of the corporation remaining after its dissolution.

The CBCA permits a company to distribute these three rights among more than one class (type) of shares. They can be distributed in any combination, so long as all three rights are being assigned. In other words, looking at all of the share classes together, each of these three fundamental rights is assigned to at least one class but not necessarily to all.

Annexes A and B illustrate how different classes of shares can be named and described in the articles of incorporation.

There is no limit on the number of classes of shares you set out in the articles of incorporation. Classes may be assigned names such as preferred or common, or they may simply be alphabetized such as Class A, Class B, etc. Articles of incorporation with more than one class of shares often provide for unlimited common and preferred shares, as shown in the sample in Annex B. The common shares have the right to vote, the right to receive dividends behind the preferred shareholders, and the right to share in the property upon dissolution. The preferred shares have no voting rights but are given the right to receive dividends and to share in the property on dissolution ahead of the common shares. If there is no difference between the shares (i.e. only one class is described in the articles), they are usually referred to as common shares.

These differences in rights can be useful if you have investors with different objectives. Often voting shares are issued to the person(s) actually running the company (control shares), while special or preferred shares may be issued to partners or investors who are not involved in running the business but who have invested money in the company with the expectation of profit and income (investment shares). Thus, the common shareholder (having votes) runs the company (with the power to elect directors, approve all major activities, etc.) but may be entitled to dividends only after the preferred shareholder (the investor) is paid dividends.

(CBCA sections 6, 24, 26, 42, 43, 140; CBCA Regulations — Form 1) In most new corporations, it is probably not necessary to create different classes of shares on incorporation. If the company is a success and it is determined later that a more complex share structure is needed, professional advice should be sought to make sure that the best structure has been chosen and that the changes to your articles (called "articles of amendment") are properly prepared.

2.4 Set Out Restrictions on Share Transfer

(Form 1, Item 4)

When you are incorporating your company, you must decide whether or not to place restrictions on the transfer of your company's shares. Restrictions on the transfer of shares permit the shareholders and directors to control who holds shares in your company, because they limit the ability of shareholders to resell their shares. But the main reason to place these in your articles is to ensure that your company is a private company and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial securities law.

Restrictions on share transfer are one of three restrictions required for a company to be a private company. The remaining two are discussed below in Section 2.7 — *Private Company Restrictions*.

The most common share transfer restriction provides that shares cannot be transferred by a shareholder without the prior consent, by way of resolution, of the board of directors or of a majority of the shareholders (see Annexes A and B — *Schedule 1*).

You should note that you have to make reference to these restrictions on the share certificates issued to shareholders in your company.

(CBCA sections 6, 49)

2.5 Choose Your Directors (Forms 1 and 6)

Form 1, Item 5

Set out the number of directors of the corporation. We recommend you specify a minimum and maximum number of directors, as shown in Annexes A and B, as a range provides more flexibility than a fixed number and may avoid the expense of having to submit articles of amendment should you decide later to change the fixed number.

Form 6, Items 3, 4 and 5

You must let the public and the Director appointed under the CBCA know the identity and residential addresses of the directors of the company. The Corporations Directorate will review your Form 6 to ensure that your company has one or more directors and that more than 50 percent of the directors are ordinarily resident in Canada. The number of directors listed in Form 6, item 3, must be within the range indicated in Form 1, item 5.

Since you are forming a new corporation, which has no previous directors, item 4 is not applicable (insert "n/a"). Then restate the names and addresses of the current directors in item 5.

(CBCA sections 105, 106; CBCA Regulations — Form 6)

2.6 Set Any Restrictions on Activities

(Form 1, Item 6)

Set out the restrictions, if any, on the company's business activities. Most companies do not provide any restriction and simply write "none" in the space provided.

2.7 Other Provisions: Private Company Restrictions/ Other Clauses (Form 1, Item 7)

In addition to the restrictions on share transfers noted in Form 1, item 4, many companies adopt the two remaining "private company restrictions." They are inserted in the articles of incorporation to ensure that your company is a private company, and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial securities law.

CHAPTER TWO 😹 SUBMITTING ARTICLES OF INCORPORATION

Most small businesses are private companies, and virtually all start out that way. Therefore, private company restrictions should appear in the original articles of incorporation of almost every small business.

To be a private company, you must restrict the number of shareholders in your company to 50 or fewer (not including employees). This is done by adding a clause to this effect in your articles of incorporation (see Annexes A and B — *Schedule II*).

To be a private company, you cannot offer shares to the public. You must add a clause to this effect also in your articles of incorporation (see Annexes A and B — *Schedule II*).

Note that although share transfer restrictions are set out in a separate item in your articles of incorporation, all three types of restrictions must appear for your company to qualify as a private company.

If you later decide to offer shares publicly, these restrictions will have to be removed by submitting articles of amendment and paying the appropriate filing fee. However, you will have the comfort of knowing that all previous share issuances were valid, since there was no need to comply with registration and prospectus requirements under securities law.

2.8 Sign Your Articles of Incorporation (Forms 1, 3 and 6)

Articles of incorporation are signed by the incorporator(s), who is (are) competent, at least 18 years of age and not bankrupt. Incorporators may — but need not — be directors or shareholders of the company after it is organized.

In addition to signature(s), Form 1 requires the names and addresses of all incorporators. Forms 3 and 6 require only one signature, along with the date and position of the informant. All three forms must be submitted to the Corporations Directorate in duplicate, and each copy must bear original signatures.

(CBCA sections 5–9)

2.9 Remit the Filing Fee

The filing fee may be paid by cash, MasterCard, Visa or cheque made payable to the Receiver General for Canada in the amount of the applicable filing fee (\$500 in the fall of 1997).

(CBCA Regulations — Schedule II)

3 Organizing Your Company

Your newly formed corporation should hold its first meeting of directors (called an organizational meeting) shortly after incorporation. The orders of business of an organizational meeting are usually to appoint officers, issue shares, make by-laws, appoint an auditor until the first meeting of shareholders, and make banking arrangements.

(CBCA section 104)

The CBCA does not specifically require an organizational meeting of shareholders. Rather, the statute requires only that the first annual meeting of shareholders be called within 18 months following incorporation.

In practice, many corporations hold a meeting of shareholders soon after incorporation, often immediately following the directors' organizational meeting. In such a case, shareholders will elect directors, confirm the corporation's by-laws and (often) waive the audit requirement and name the corporation's accountant. Rather than hold an actual meeting, many small companies conduct this initial business through written resolution instead. If so, the resolution must be signed by all of the voting shareholders of the company.

(CBCA sections 133, 142)

Annex E provides sample organizational resolutions that you can modify to suit the purposes of your own company.

3.1 Elect Directors

3.2 Appoint Officers

3.3 Appoint Auditors

3.4 Issue Shares

3.5 Make By-laws

3.1 Elect Directors

The first director(s) of the corporation is (are) named in Form 6 — *Notice of Directors*, which is filed with your articles of incorporation. These directors hold office from the date the certificate of incorporation is issued by the Corporations Directorate until the first meeting of shareholders, at which time the shareholders will elect directors to replace the first directors.

The people elected to the board of directors at the first directors' and shareholders' meeting may be the same people listed in Form 6, which was submitted with your articles of incorporation. If new individuals are elected to the board, your company must file a new Form 6 indicating the change of directors within 15 days following that election.

The company's directors are responsible for the overall supervision of the affairs of the corporation. They approve the company's financial statements; make, amend and repeal by-laws; authorize the issuance of shares; and call and conduct directors' and shareholders' meetings. The directors in turn usually appoint

CHAPTER THREE > ORGANIZING YOUR COMPANY

officers, who are responsible for the dayto-day operations. In a small, private corporation, one individual may act as sole shareholder, director and officer.

For certain company activities, shareholders must give their approval. For others, the directors (and officers, if the directors have authorized them) can make important decisions in a corporation without shareholder approval. In this sense, shareholders rely on directors and officers (together referred to as the "management") of their corporation to operate the company's day-to-day activities in a way that protects the shareholders' investment.

At the first meeting of shareholders and at each following annual general meeting at which an election is required (depending on the length or term of office the shareholders choose), shareholders elect directors. These directors will hold office for a term expiring no later than the close of the third annual general meeting of shareholders after such election. If no term is stated, the directors hold office until the next annual general meeting of shareholders. Once a director's term has expired, subject to what you have put in your company's by-laws, that individual can be re-elected as a director.

(CBCA sections 2, 102, 103, 106, 113)

Who Can Be a Director?

A director must be:

- at least 18 years old
- of sound mind (mentally competent)
- an individual (a corporation cannot be a director)
- not an undischarged bankrupt.

In addition, a majority of the directors of a corporation must be individuals who are ordinarily resident in Canada. You should keep this in mind when electing directors, and also when filling vacancies. There is no requirement for a director to hold shares in the corporation, nor is there any restriction against their holding shares.

(CBCA sections 2, 105)

Fill Your Board of Directors

Your company must have at least one director. In your articles of incorporation (Form 1, item 5), you will have specified the number of directors your company is to have, either a fixed number or a range (say, from one to ten).

It sometimes happens that because of death, resignation or disqualification of a director or directors, there is a vacancy on the board of directors. If this occurs, provided that the number of directors elected constitutes a quorum (the minimum number of directors required to be present at a meeting, as specified in your company's by-laws), the board may exercise all powers of directors. Also, the directors remaining on the board may fill the vacancy or vacancies on the board.

The directors may also wish to increase their number or change the minimum number of directors. To do so, they will need approval of the shareholders to amend the articles of incorporation. Alternatively, they may appoint additional directors between annual general meetings, if such provision is made in item 7 of the articles of incorporation (see Annexes A and B — *Schedule II*).

Shareholders may decide that, for any variety of reasons, they want to remove a director they had previously elected. This is a simple procedure: it generally requires the approval of a majority of the votes represented at a meeting of shareholders called for the purpose of removing the director.

(CBCA sections 2, 106, 108, 109, 111)

If the composition of your board of directors changes, either through the filling of a vacancy or the removal of a director, your company must file a Notice of Change of Directors (Form 6) within 15 days following that change.

3.2 Appoint Officers

Once elected, one of the first activities undertaken by directors is the appointment of officers of the corporation. The officers designated can be President, Secretary or any other office you wish. These officers take responsibility for the day-to-day operations of the company.

The CBCA does not impose any restrictions on who can be an officer of your corporation, other than to require officers to be individuals. Officers may or may not be shareholders, and they may or may not also be directors of the corporation. There is no reason why the same individual cannot act as a director, officer and shareholder simultaneously. In fact, for many small businesses, one individual is the sole director, officer and shareholder.

(CBCA sections 2, 121)

3.3 Appoint Auditors

At the organizational meeting, directors can also appoint the company's first auditor(s), who will hold office until the first shareholders' meeting; thereafter the shareholders' appoint the auditors. Once the shareholders meet, however, the shareholders may choose to waive the audit requirement, provided that all voting and non-voting shareholders agree. Most companies will retain the services of an accountant to prepare the financial statements.

A company must keep up-to-date financial statements. Copies do not have to be filed with the Director under the CBCA, unless the corporation distributes its shares to the public (that is, it is listed on a securities exchange).

(CBCA sections 104, 160–163; CBCA Regulation 49)

All financial statements must be prepared in accordance with Generally Accepted Accounting Principles, as set out in the *Canadian Institute of Chartered Accountants CICA Handbook* and modified from time to time.

Copies of your financial statements must be given to the shareholders at least 21 days before your company's annual general meeting each year.

(CBCA sections 155, 157, 158, 159; CBCA Regulations 44, 46, 47)

3.4 Issue Shares

One of the first corporate activities undertaken by a company following incorporation is the issuance of shares. Persons become shareholders when a company "issues" shares in that person's name, or records a transfer of previously owned shares to a person. Generally, unless you provide differently in your articles of incorporation or by-laws, shares can be issued whenever, to whomever and for whatever value the board of directors of your company decides.

Issuing shares is not complicated. Directors can decide to issue shares by majority vote. The directors' decision (called a resolution) to issue the shares must be recorded in the company's minute books. A share cannot be issued until full consideration (payment) for that share is actually received by the corporation. This consideration is generally in the form of money, although it can also be in the nature of services or property given to the company. The consideration paid for the shares, in whatever form has been agreed to by the directors, is the individual's investment in the corporation.

Once a share has been issued, the shareholder is entitled to a share certificate. This certificate must state the corporation's name, as set out in the articles of incorporation. It also must set out the name of the shareholder and the number and class of shares it represents. Finally, if your articles of incorporation contain restrictions on the transfer of shares

in your company (as do most small companies; see Section 2.7 — *Private Company Restrictions*), there must a reference to these restrictions on the share certificate itself.

Shares are issued without nominal or share value. No monetary value is set out on the certificate

(CBCA sections 6, 25, 26, 49, 50)

3.5 Make By-laws

You may also want to make some by-laws for the internal operations of your company. By-laws are basically an agreement between the company and its shareholders, setting out the rules by which the corporation will function. For example, you may wish your company to have some rules that are not dealt with in the CBCA. For some rules, even if they are covered in the CBCA, you may wish to modify them.

A simple model by-law is presented in Annex F. You may modify it to suit the needs of your company.

For instance, the CBCA provides that the location of shareholders' meetings can be set by the directors, unless the by-laws set out a different rule. One possibility is that shareholders' meetings will always be held at the registered office of the corporation.

By-laws can also modify other powers given to the directors of the company under the CBCA. For example, instead of the directors having the sole authority to issue shares, the by-laws could make all share issuances subject to shareholder approval.

By-laws can also deal with matters such as the appointment, qualification and duties of the officers of the company. Details could spell out who sets the salaries for directors and officers, the procedure for calling directors' and shareholders' meetings, and what minimum number of people have to be present at meetings to establish quorum for business to be legally transacted. Other topics often found in by-laws include the date of the corporation's financial year end, banking arrangements, indemnification provisions and salary or other remuneration of directors and officers. Some companies also adopt a particular set of rules of conduct for directors' and shareholders' meetings, such as Robert's Rules of Order.

Unless your by-laws provide differently, the directors have the power to make, repeal and amend by-laws. All by-laws and by-law changes (including repeal) require share-holder approval. This approval must be received at the first regular meeting of the shareholders after the by-law has been passed by the directors. Even though a by-law does not receive approval until that meeting, the effective date of the by-law is the date of original passing by the directors. For a company with only one shareholder/director/ officer, meetings are not necessary, and these approvals may be done through written resolution only (see Annex E).

(CBCA sections 25, 103, 104, 114, 121, 125, 132, 139-141)

4 Complying with the CBCA

Once your company is set up and properly organized, there are a few simple steps to take each year to ensure that your company stays in compliance with the CBCA.

This section deals only with filings under the CBCA. You will also have to make other filings on behalf of your corporation, for example, to Revenue Canada. In addition, companies must comply with registration requirements in the province(s) in which they carry on business activities. These registrations often are required within a few weeks after incorporation. You should communicate with the appropriate provincial/territorial authority in this regard.

4.1 Corporate Records

Your company is required to keep certain corporate records at the registered office of the corporation or elsewhere in Canada as set out in your by-laws. These records may be examined by the shareholders and creditors, such as suppliers, of the company on request. These records are:

- articles, by-laws and a copy of any unanimous shareholder agreements
- minutes of meetings and resolutions of shareholders
- copies of Notices of Directors (Form 6) that have been filed
- a share register showing the names and addresses of all shareholders and details of shares held.

(CBCA sections 20-22, 50)

- 4.1 Corporate Records
- 4.2 Duties and Liabilities of Management
- 4.3 Meetings of Your Board of Directors
- 4.4 Annual General Meetings
 - of Shareholders
- 4.5 Common Filing Requirements

Although you are not required to maintain a minute book under the CBCA, you will often hear this term. Corporate records are commonly maintained in a single book referred to as the minute book of the corporation. These are available at legal stationers and search houses.

4.2 Duties and Liabilities of Management

Because of the scope of the authority that is given to directors and officers, the law imposes a wide range of duties and liabilities on the managers of a corporation. These duties arise under the CBCA, other federal and provincial statutes and, historically, through court decisions. In general, these duties reflect the position of trust that management holds in relation to the company and its owners, the shareholders.

Among the most important of the duties set out in the CBCA is the duty of care. This duty requires directors and officers to act honestly, in good faith and in the best interests of the company. They must exercise at least the level of care and diligence that a reasonable

person would exercise in comparable circumstances. This duty makes it clear that directors and officers must act in the interests of the company, as opposed to their own personal interest.

Directors and officers may not avoid liability because they did not know what the company was doing. In other words, there is a positive obligation on each director and officer to be informed of what is going on within the scope of his or her authority, and to make sure that what is being done is legal and in the best interests of the company. In doing so, the CBCA permits directors to rely on the reports of experts, such as financial statements or legal opinions, in certain circumstances.

The CBCA also seeks to avoid conflicts between the interests of the company and those of the directors or officers. For instance, directors and officers are required to disclose in writing any personal interest they may have in a contract with the corporation. Failure to disclose could be grounds for a court to set aside the contract upon application by the company or a shareholder. The CBCA also imposes certain specific liabilities; for instance, directors are personally liable for up to six months' worth of unpaid wages to employees of the company and for any unpaid source deductions.

Because of the extent of liability imposed on the directors and officers of your company, you may want to consider some means of protection. For instance, your corporation may purchase insurance for directors and officers against any liability for which they become responsible when acting as a director or officer. The company may also indemnify (i.e. compensate for loss; promise to pay for any costs incurred by a person in certain circumstances) its directors and officers for costs they have to pay, except where the director or officer has failed to act honestly and in the company's best interests.

(CBCA sections 118-124)

Directors must at all times remain free to assess what is in the best interests of the company and to act on this assessment. For this reason, directors cannot prepare an agreement among themselves in advance on how they will act in a given future situation.

However, all of the shareholders of the company may enter into a unanimous shareholder agreement that transfers some or all of the directors' responsibilities and powers to the shareholders. If power is transferred away from a director, that director cannot be responsible for not exercising that power. (Unanimous shareholder agreements are discussed in more detail in Section 5.4 of this Guide.)

4.3 Meetings of Your Board of Directors

Since directors are responsible for overseeing the operations of the company, there are many occasions when a directors' meeting may be necessary. After the initial organizational meeting, boards of directors of most companies meet on a regular basis, such as monthly, quarterly or even annually, depending on the needs of your company, to oversee the operations of the business. Directors may also need to meet to conduct special business. For example, directors'

CHAPTER FOUR 🕿 COMPLYING WITH THE CBCA

meetings are required to replace retired directors or officers, make by-laws, issue shares or recommend a significant change in the way the corporation conducts its business. Directors must also meet to call the annual general meeting of shareholders and to approve financial statements. Immediately after the annual general meeting of shareholders, the directors just elected meet to appoint officers for the coming year.

Meetings of the board can be held whenever and wherever the board wants, unless the by-laws or articles of your company say differently. A quorum of the directors must be present and a majority of them must be resident in Canada.

The CBCA permits directors to conduct business by using signed resolutions instead of holding actual meetings. This can be very useful in a small business having only a few directors (or even one). In addition, your directors may participate in a meeting by way of telephone or other electronic means, so long as all participants in the meeting can communicate fully.

 $(\textit{CBCA sections 103},\ 104,\ 110,\ 114,\ 117)$

4.4 Annual General Meetings of Shareholders

Annual general meetings are meetings of the shareholders of the corporation, which must be held each year during the company's existence. The directors of a company must call the first annual general meeting within 18 months of its date of incorporation, and some corporations hold this meeting following the organizational meeting of directors. After

the first meeting, the corporation must hold a general meeting within 15 months of its previous annual general meeting.

At the annual general meeting of shareholders, provided a quorum is present, the shareholders appoint auditors, elect directors, review financial statements and raise any other business they wish to address.

Annex G provides a sample notice of an annual general meeting to be held, together with a sample of the minutes of such a meeting. The agenda and the proceedings can be modified from this sample according to the circumstances for your own company to ensure that all of the required business is conducted.

The annual general meeting should be held at the place in Canada where the registered office is situated or as specified in your company's by-laws or such other place as the directors determine. Your company must send notice of the time and place of the meeting to shareholders entitled to vote not more than 50 and not less than 21 days before the date of the meeting. For example, if the meeting is to take place on May 20, the notice should not be sent sooner than April 1 nor later than April 30. Unless the articles of incorporation otherwise provide, each share of the company entitles the holder of the share to one vote.

Section 136 of the CBCA permits shareholders to waive notice of meetings (attendance is generally deemed to be waiver of notice). This is useful for companies having only one or two shareholders. Furthermore, if all of the shareholders of a corporation entitled to vote sign a written resolution dealing with items usually covered at the meeting, no meeting is necessary.

A shareholder entitled to vote has the right to appoint a proxy holder to attend and vote at any shareholders' meeting on behalf of that shareholder. For a company having 15 or more shareholders, special rules apply. For example, management would have to send a form of proxy and management proxy circular along with notice of a meeting, but these rules are beyond the scope of this Guide (see Section 5.3 for more on shareholders' meetings in private companies).

(CBCA sections 132, 133, 135, 136, 139, 140; CBCA Regulations 32–36)

4.5 Common Filing Requirements

The table on the following page illustrates the CBCA filings you will, or may, be required to make. Note that the list does not address many possible changes to your articles nor requirements specific to public companies.

Annual Return

Every corporation must submit an annual return to the Corporations Directorate using Form 22 — *Annual Return*. See Annex H for a sample form correctly filled out.

The annual return contains information such as:

- the anniversary date of the company's incorporation
- the financial year end of the company
- changes in directors or registered office address
- whether the corporation has 15 or more shareholders.

Annual returns must be filed within 60 days of the anniversary date of your company's incorporation.

(CBCA section 263; CBCA Regulations 4(3), Form 22)

Industry Canada is now working with Revenue Canada on a project that will permit you to file your annual return together with your corporate income tax return. This project is currently scheduled to be effective by October 1998. When this system is in place, the date for filing your annual return will change to within six months of the financial year end of your corporation, the same date by which your corporate income tax return must be filed.

Your company must submit a cheque payable to the Receiver General for Canada in the amount of the prescribed annual fee (currently \$50) with its annual return.

(CBCA section 263; CBCA Regulations — Schedule II)

A complete list of current fees is available from the Corporations Directorate — see Contacts at the back of this Guide.

Certificate of Compliance

You may be required at some point in time to provide to a supplier, banker, etc. a certificate of compliance for your company. A certificate of compliance is issued by the Director under the CBCA, at the request of the company or another interested party. It states that the company in question has paid all fees and has filed specific forms required under the CBCA.

The need for a certificate of compliance usually arises in the context of a financing transaction such as a loan. Another example is when someone is making a substantial equity investment and wants assurance that your corporation has not been dissolved.

CHAPTER FOUR > COMPLYING WITH THE CBCA

	Common Filing Requirem	ents	
Event or Occurrence	Action Required	Form	CBCA Reference
The company changes the civic address of its registered office within the place in Canada where its head office is located	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 3 (see Annex C)	s. 19
The company changes the civic address of its registered office outside the place in Canada where its head office is located	Submit articles of amendment and notify the Director within 15 days after the change (fee \$200)	Forms 3 and 4 (articles of amendment)	ss. 19 and 173(1)(b)
The company changes directors, within the minimum and maximum numbers provided in Form 1	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Annex D)	ss. 106, 113
The company changes directors and changes the minimum and/or maximum numbers provided in Form 1	Submit articles of amendment and notify the Director within 15 days after the change (fee \$200)	Forms 6 and 4 (articles of amendment)	ss. 106, 112, 113, 173(1)(m)
There is a change in the names or residential addresses of the company's directors	Notify the Director within 15 days after the change (no fee required)	Form 6 (see Annex D)	s. 113
Annually	File an annual return with the Director within 60 days of the anniversary date of incorporation (fee \$50)	Form 22 (see Annex H)	s. 263; Regulations Schedule II

Administrative Dissolution

and Revival

It is important to comply with the filing requirements set out in this section, especially the annual return.

In the case of repeated or persistent non-compliance with the Act or non-payment of fees, the Director under the CBCA could dissolve your corporation, which would end its existence. This may happen, for example, if your company fails to file its annual return (Form 22 — see Annex H for a sample).

Notices from the Corporations Directorate pertaining to non-compliance under the CBCA are sent to the address on record. If a response is not received, perhaps because the notices cannot be delivered due to the corporation's failure to submit the correct address in Form 3, the Director under the CBCA could proceed with a dissolution, even though the corporation does not want to be dissolved.

The Corporations Directorate will make several attempts to have the company correct any filing deficiencies by sending out notices of non-compliance (provided, of course, that it has the correct mailing address on file). If the company still does not comply (for example, by filing the outstanding form(s) after notice has been sent), the Director under the CBCA will issue a certificate of dissolution, and the corporation will cease to exist.

For a corporation to become re-activated, it will have to go through a procedure known as revival. It will have to remedy the non-compliance, file articles of revival and remit the prescribed fee for revival.

(CBCA sections 209, 212-214)

An information kit detailing all the required steps for a revival is available from the Corporations Directorate (see Contacts at the back of this Guide).

There are additional circumstances under which the Director under the CBCA has the power to dissolve corporations. Alternatively, the Director under the CBCA may seek compliance through civil court action for specific acts of non-compliance.

5 Shareholders

A person who owns shares in a corporation is called a shareholder. Generally speaking and unless the articles of incorporation provide otherwise (Form 1, item 3), each share in the corporation entitles the holder to one vote. The larger the number of shares held, the larger the number of votes a shareholder generally can exercise.

An active company must have at least one class of shares and at least one shareholder. Shareholders have limited liability in the corporation, and generally are not liable for the company's debts. On the other hand, shareholders generally do not actively run the corporation.

In many small businesses, the shareholders, directors and officers are the same people. A shareholder who is also a director or officer does assume certain liabilities, as described in Section 4.2 of this Guide.

The CBCA provides shareholders with access to certain information about the corporation. For example, shareholders are entitled to inspect (and copy) the corporate records, and are entitled to receive the company's financial statements at least 21 days before each annual general meeting. Shareholders elect directors, approve by-laws and by-law changes, appoint the auditor of the corporation (or waive the audit requirement) and approve certain major or fundamental changes to the corporation, its structure and business. These changes include matters such as a sale of all or substantially all of

- 5.1 Becoming and Ceasing to Be a Shareholder
- 5.2 Shareholder Resolutions
- 5.3 Shareholders' Meetings
- 5.4 Shareholder Agreements

the assets of the business, a change of name, and articles of amendment altering share rights or creating new classes of shares.

(CBCA sections 21,106, 155, 159, 162, 163, 173)

5.1 Becoming and Ceasing to Be a Shareholder

A person becomes a shareholder by acquiring shares from the company or an existing shareholder. The basic ways of becoming a shareholder are:

- purchasing shares that have not previously been issued by the company (referred to as "buying shares from treasury"), either on incorporation or later
- buying shares in the company from an existing shareholder (in accordance with the terms set out in your articles) and having the company register the transfer.

A person ceases to be a shareholder once his or her shares are sold either to a third party or back to the company (all in accordance with the articles of your corporation), or when the company is dissolved.

(CBCA sections 25, 48, 49, 76, 213)

5.2 Shareholder Resolutions

Broadly speaking, shareholders exercise most of their influence over how the corporation is run at shareholders' meetings through resolutions.

Note that the term "resolution" can take on different meanings depending on the context:

- a written record of decisions taken in lieu of an organizational meeting (see Annex E)
- a decision made at an annual or special meeting based on the required number of votes in favour by shareholders entitled to vote (see Annex G)
- a document signed by all shareholders in lieu of a meeting of shareholders.

There are two main types of shareholder resolutions:

- *Ordinary resolutions:* require a simple majority (50 percent plus 1) of votes cast by shareholders. Examples are decisions shareholders take on a regular basis, such as electing directors and appointing auditors.
- Special resolutions: must have the approval of two thirds of the votes cast. Examples are unusual activities such as changing the corporation name, selling all or substantially all the company's assets or changing the primary line of business (i.e. important questions that affect the company as a whole).

(CBCA sections 2, 142)

5.3 Shareholders' Meetings

Shareholders usually exercise their influence over how the corporation is run at shareholders' meetings (see also Section 4.4). The CBCA and your company's articles and bylaws set out rules about meetings, including minimum notice periods and who can attend and vote. In order for the decisions (resolutions) taken at the meeting to be binding, these detailed requirements must be met. Specific additional rules apply for companies with 15 or more shareholders, which are not dealt with in this Guide.

In a small business, the same one or two people may be acting as directors, officers and shareholders, and meetings will not necessarily occur. One- or two-person companies often prefer to use written resolutions rather than hold a formal meeting. If every shareholder signs a written record setting out the terms of the necessary resolutions, then a shareholders' meeting need not be held.

A shareholder's ability to attend and vote at a meeting depends on the rights attached to the class of shares that person is holding. As a general rule, shareholders entitled to vote at a meeting are entitled to attend the meeting. (While the CBCA provides holders of non-voting shares the right to attend certain meetings and vote on certain fundamental issues, a discussion of these issues is beyond the scope of this Guide.)

(CBCA sections 132-135, 140)

CHAPTER FIVE SHAREHOLDERS

Calling a Shareholders' Meeting

Directors have the duty to call meetings of voting shareholders and, in special circumstances, of all shareholders. Shareholders who own 5 percent of the issued voting shares of a company can require the directors to call a meeting of shareholders. Shareholders' meetings are normally called by the directors of the corporation. The board is required by the CBCA to call an annual general meeting within 15 months of the preceding one.

(CBCA sections 133, 143)

In practice, many companies tend to hold annual meetings around the same time each year, and usually within six months of the company's fiscal year end.

Directors must send out the notice of meetings to shareholders within the time frame set out in the CBCA or as modified by your by-laws. A shareholder can waive notice of a meeting. Attendance at the meeting is considered waiver of notice, unless the shareholder attends the meeting to complain about improper notice.

The notice for a special meeting (see next section) not only must state the time and place of the meeting, but also must provide the shareholders with enough information to know in advance what they will be asked to consider and vote on at the meeting.

(CBCA sections 2, 132-136)

Shareholders' Meeting Requirements

A quorum of shareholders must be present or represented at the meeting, or no business can be conducted that is binding on the company. A quorum is the minimum number of votes required to be represented at the meeting, which is a majority, unless your by-laws provide a lower or higher quorum.

(CBCA sections 139-141)

The company must keep a written record of the meeting. The record usually includes information such as where and when the meeting was held, who attended and the results of any voting. These records are commonly referred to as minutes and are kept in the corporation's minute book.

(CBCA sections 20, 21, 142)

If all shareholders sign a written resolution setting out the terms of their resolutions instead of holding a meeting, these also should be kept in your minute book.

Under the CBCA, there are two specific types of shareholders' meetings:

- Annual general meetings: Under the CBCA, your company must hold an annual general meeting within 18 months of its incorporation, and thereafter within 15 months of the previous annual general meeting. At an annual general meeting, the following four items must be on the agenda:
 - consideration of the financial statements
 - appointment of the auditor (unless all shareholders have agreed not to appoint an auditor)
 - election of directors
 - any other business matters that come up.

Although the term "any other business" is quite vague, directors cannot deliberately leave an item off the agenda (which would have the effect of preventing shareholders from preparing for the discussion) and then bring the matter up as "other business." Rather, this is the place on the agenda for shareholders to raise and discuss matters of concern to them.

• Special meetings: Meetings of the shareholders may also be called to deal with specific questions or issues, such as whether to approve a fundamental change (e.g. change of name) that the directors of the company are proposing. Generally, the directors will call a special meeting of the shareholders when they want to take a particular activity or deal with a special issue requiring shareholder approval, such as amendments to articles.

(CBCA section 133)

As a very general rule of thumb, ordinary resolutions are required at annual general meetings, and special resolutions are required at special meetings.

It is often convenient to combine special meetings with annual general meetings. Under the CBCA, this process is allowed, but notice of the meeting must clearly indicate that there will be special business to consider.

(CBCA sections 2, 132-136, 139, 140-142)

5.4 Shareholder Agreements

A shareholder agreement is an agreement entered into by some, and usually all, of the shareholders of a corporation. The agreement must be in writing, and must be signed by the shareholders who are a party to it. While shareholder agreements are specific to each company and its shareholders, most of these documents deal with the same basic issues

The relationship among shareholders in a small company tends to be very much like a partnership, with each person having a say in the significant business decisions the company will be making. Obviously, a shareholder agreement is not necessary in a one-person corporation. However, you may consider entering into a shareholder agreement if you have more than one shareholder, or when you want to bring in other investors as your business grows.

Management of the Company and Relations among Shareholders

Under the CBCA, in the absence of a share-holder agreement, the board of directors has control over the management of the company. Because directors are elected by ordinary resolution of the shareholders, if one of them has more than 50 percent of the votes, that shareholder alone can decide who will sit on the board. In a small corporation, minority shareholders (those with a small stake in the company) may not feel adequately protected by a board of directors elected by a majority shareholder and may want to negotiate a shareholder agreement to more closely protect their investment in the company.

A very common shareholder agreement provision for a small company gives all the shareholders the right to sit on the board of directors, or nominate a representative for that purpose. Each shareholder agrees in the document to vote his or her shares in such a way that each one is represented on the board, thus ensuring all shareholders an equal measure of control.

CHAPTER FIVE > SHAREHOLDERS

Shareholder agreements may also provide that certain significant decisions require a higher level of shareholder approval than is set out in the CBCA. For example, an agreement might provide that a decision to sell the business must be approved unanimously by all shareholders, whereas the CBCA requires only a special resolution (approval by two thirds of shareholders).

Shareholder agreements may set rules directing how the future obligations of the company will be shared or divided. Say each shareholder invested a minimal amount to get the business going, looking to bank loans or other credit for growth. The shareholders may agree that, when other means of raising funds are not available, each shareholder will contribute more funds to the company on a pro rata basis. This means simply that the extent of a shareholder's obligation to fund the corporation would be determined by the extent of that shareholder's ownership interest (the percentage of shares held) in the company. So, three equal partners starting a company (with equal shares held by each) might sign a shareholder agreement that each will be responsible to fund one third of any future obligations of the company through the purchase of more shares.

Other rules often found in shareholder agreements govern the future purchase of shares in a company when no funding is needed. In such a case, the shareholders could agree to maintain the same percentage of holdings among themselves. Three equal partners could agree that no shares in the corporation will be issued without the consent of all shareholders/directors. In the absence of such a provision, two shareholders/directors could issue shares by an ordinary or special

resolution (because they control two thirds of the votes) to themselves without including or requiring the permission of the third shareholder/director.

Restrictions or Prohibitions on Share Transfer

Restrictions on share transfer are used to enable shareholders to control who will become a shareholder in their company.

By placing such restrictions in a shareholder agreement instead of in your articles of incorporation, shareholders can remove or alter them without the company having to file articles of amendment. Note that these are separate from the restrictions placed in your articles of incorporation as part of the private company restrictions (see Section 2.4 above).

Of course, the most effective way to ensure ownership control is a provision prohibiting share transfers entirely, or for a certain period of time (such as five years). Because this is such an extreme measure, however, it is rarely seen.

Another provision is the right of first refusal, which basically states that any shareholder who wants to sell his or her shares must first offer those shares to the other shareholders of the company before selling them to an outside party.

Shareholder agreements may also set out rules for the transfer of shares when certain events occur, such as the death, resignation, dismissal, personal bankruptcy or divorce of a shareholder. The restrictions can include detailed plans governing when a shareholder can or must sell his or her shares, or what happens to those shares after the individual shareholder has left. The shareholder agreement, for example, may require that the

shares be transferred to the remaining share-holders or to the corporation, often at fair market value. These provisions are complex, and usually set out mechanisms for the transfer, including notice and how the transfer price will be funded. Operators of small businesses who enter into agreements with this sort of exit provision sometimes purchase life insurance to fund the payment obligations of the party who will be purchasing the shares.

Other shareholder agreement provisions may include non-competition clauses, confidentiality agreements, dispute resolution mechanisms and details respecting how the shareholder agreement itself is to be amended or terminated.

Shareholder agreements are voluntary. If you choose to have one, the shareholder agreement should reflect the particular needs of your company and its shareholders. While undoubtedly the best advice is to keep your agreement as simple as possible, we strongly suggest that you consult your professional advisors before signing any shareholder agreement.

Special Agreements

The CBCA also deals specifically with two particular types of shareholder agreement:

• Pooling agreements: The CBCA provides that shareholders may, in a written agreement between two or more shareholders, agree on how their respective shares will be voted on any particular matter. Shareholders could enter into an agreement solely for the purpose of determining, for instance, how they will vote their shares to elect directors. Shareholders may also decide to include a pooling provision in a larger shareholder agreement.

(CBCA subsection 146(1))

• Unanimous shareholder agreements: The CBCA also permits all of the shareholders of the company, in a written agreement, to transfer all or some of the powers of the directors to the shareholders. Where there is only one shareholder, that person may sign a written declaration that has the same effect as a unanimous shareholder agreement. The wording must be very precise: an agreement signed by all of the shareholders does not fit the definition of a unanimous shareholder agreement if it does not deal with the transfer of powers, and the responsibilities that go along with them, from the directors to the shareholders.

(CBCA subsection 146(2))

Frequently Asked Questions

Who can form a corporation?

One or more competent individuals who are 18 years of age or older and who are not a bankrupt may form a corporation under the *Canada Business Corporations Act* (CBCA). Similarly, one or more companies or "bodies corporate" may incorporate a company. These persons are called incorporators. An incorporator (individual or corporation) may form a corporation whose shareholders, officers and directors are other persons, or may serve as the sole director, officer and shareholder of the company. An incorporator is also responsible for organizational procedures, such as filing the articles of incorporation and designating the first directors.

A company can be incorporated under the laws of only one jurisdiction. You must decide whether to incorporate federally under the CBCA, or under the laws of a province or territory instead of the CBCA. Requirements vary, and you should contact the jurisdiction under which you wish to incorporate for precise details. This Guide contains information specific to the CBCA, the federal legislation governing incorporation.

What kinds of businesses can incorporate under the CBCA?

Almost any type of business may incorporate under the CBCA. However, banking, insurance, loan and trust companies as well as non-profit corporations are incorporated under different statutes.

There are no restrictions such as minimum company size on the businesses that may incorporate under the CBCA. While all provinces and territories have similar legislation for companies operating within their borders, only the CBCA is national in scope.

Many small businesses incorporating under the CBCA have the intention (either now or sometime in the future) of operating in more than one province. They choose to incorporate under the CBCA now in order to simplify their business relations later if they decide to expand operations or grow larger.

Should I incorporate?

This depends on your particular situation. The most common forms of business organization are the sole proprietorship, partnership and corporation. Each of these forms of business has its own advantages and disadvantages, and the most appropriate form for you as a small business owner will depend on your particular circumstances. Some of the benefits of incorporating are set out in Section 1.1 — *Benefits of Incorporating*. This Guide focusses on incorporation for small businesses under the CBCA.

Do I need to hire a lawyer to incorporate?

No. A lawyer may provide valuable advice, but is not a requirement for incorporation.

If I decide to incorporate, what next?

Federal corporations are formed when you file articles of incorporation with Industry Canada's Corporations Directorate, and a certificate of incorporation is issued. Fill out the blank forms accompanying this Guide and send them to the address listed in the Contacts section at the back of this Guide. Samples of correctly filled forms are included in the Annexes for your convenience. You may modify the samples to suit your own specific circumstances.

So long as the forms are filed properly and the appropriate fee is paid, the Director under the CBCA will issue a certificate of incorporation.

How long does it take to get incorporated?

The Corporations Directorate operates during normal business hours five days a week. We can usually issue your incorporation papers within five business days, when delivered to our office by post. Faster service is usually available when you deliver your documents by hand.

How much does it cost to incorporate?

The filing fee for articles of incorporation under the CBCA is \$500; (amounts subject to change without notice). In addition, unless your company is going to request a numbered name, you will have to file a NUANS name search report (see Section 2.1 — *Choose a Name*), which may be obtained from an independent search house (the cost is approximately \$75 per search). Of course, if you obtain legal advice when completing your articles of incorporation, there will be professional fees in addition to your filing fee.

Do I have to get a corporate seal?

A corporation under the CBCA is not required to have a seal. If you wish to have a corporate seal for your corporation, you may purchase one from a legal stationery store or commercial supplier.

If I incorporate federally, do I have to register or file anything with the provinces?

Yes. Whether you incorporate federally or provincially, you will likely be required to register your business in any province or territory where you carry on business. Although Industry Canada is working with provincial and territorial officials to decrease this burden, each province and territory right now has individual requirements for registering corporations from outside its borders. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine which obligations may be placed on your corporation.

Where can I get more information about incorporating?

The Contacts lists at the back of this Guide contain mailing addresses, phone numbers and other contact information of knowledgeable corporate specialists in our offices who can respond to your specific requests, as well as of other federal government resources for small businesses.

Glossary of Terms

Annual Return: Form 22 under the CBCA (see Annex H). This form is not to be confused with annual financial statements or annual reports.

Articles of Incorporation: Form 1 under the CBCA (see Annexes A and B). To incorporate under the CBCA, you must correctly complete two copies of Form 1. together with two copies of Forms 3 and 6 (see Annexes C and D), all bearing original signatures, and deliver them to the Corporations Directorate at the address listed under Contacts at the back of this Guide. The Corporations Directorate will keep one copy on file and return the other copy to you with your certificate of incorporation. The articles, when filed, create your corporation, and set out important matters such as the number of directors and types of shares a corporation will have. This form (as are all forms referred to in this Guide) is available from the Corporations Directorate by automatic fax. Internet or mail (see Contacts at the back of this Guide).

By-laws: Basically, the agreement between the company and its shareholders setting out the internal rules by which the corporation will function. These often deal with matters such as meetings of directors and shareholders (see Annex F).

Corporations Directorate: The branch of Industry Canada that administers the CBCA, and the office with which all filings, such as articles of incorporation, are made.

Director: An individual elected by the share-holder(s) to supervise the management of a corporation. Together, all directors of a company are referred to as the "board of directors." All federal corporations are required to have one or more directors, a majority of whom must be ordinarily resident in Canada.

Director Appointed under the CBCA:

The individual appointed by the federal Minister of Industry under the provisions of the CBCA to independently administer the statute. This individual is referred to as the "Director under the CBCA."

Dissolution: The act of ending the existence of a corporation, under certain circumstances, by filing the required documents with the Corporations Directorate. Your company could also be dissolved by the Director appointed under the CBCA for failure to comply with the legislation (see "Administrative Dissolution and Revival" in Section 4.5 — Common Filing Requirements).

Dividend: The share of profit payable to shareholders on their shares.

Federal Incorporation: Incorporation under the CBCA rather than under a provincial or territorial statute.

Incorporation: The act of establishing a corporation by filing the required documents.

Indemnity: Compensation for loss; a promise to pay for costs incurred by a person in certain circumstances.

Officer: An individual appointed by the director(s) of a corporation to manage the day-to-day business of a company, such as President, Vice President, Secretary, Treasurer, etc. The position of officer is distinct from that of director (see above), although one individual in a small corporation very often occupies both positions.

Private Company: In general, a company that does not sell its shares to the public (i.e. is not listed on a stock exchange). The transfer (sale) of shares in the company is restricted in some way, such as by the requirement that the directors or shareholders have to approve in advance any transfer of shares.

Quorum: The stated minimum number of people entitled to attend a meeting who must be present for business to be conducted. Company by-laws may specify the minimum number of directors who must be present at a meeting of the board of directors or the minimum number of shareholders who must be present at a shareholders' meeting; if not, the CBCA sets out quorums.

Resolution: A statement of a decision reached either by directors or by share-holders of a company. A resolution may be written if all parties agree and sign it, or may be made orally in a meeting on the basis of a number of votes cast and then recorded in the minutes. An ordinary resolution is one passed by a majority of the votes cast, while a special resolution is one passed by a majority of not less than two thirds of the votes cast.

Share: A measure of ownership of a corporation. Some people refer to the share certificate as a stock. Shares are distinguished from securities, which are any type of investment instrument, including shares.

Shareholder: An owner in a corporation; a person holding shares in a corporation. Because many activities, such as electing directors, must be done or approved by shareholders, an active corporation must have at least one shareholder.

Annex A Sample Articles of Incorporation: One Class of Shares

Canada Business Loi Corporations Act soc	ustrie Canada canadienne sur les ciétés par actions	FORM 1 ARTICLES OF INCORPORATION (SECTION 6)	FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)
- Name of corporation ABBA Consultin	ng Inc.	Dénomination de la société	
- The place in Canada where th	ne registered office is to be si	ituated Lieu au Canada où doit être site	ué le siège social
Any Regional 1	Municipality	in Canada	
 The classes and any maximur corporation is authorized to iss 	n number of shares that the sue	Catégories et tout nombre maxi est autorisée à émettre	mal d'actions que la société
An unlimited r		anon phones	
- Restrictions, if any, on share tr	ransfers	Restrictions sur le transfert des	actions, s'il y a lieu
See attached S	ochedate 1		
		Nombre (ou nombre minimal et	maximal) d'administrateurs
Minimum of 1,	maximum of 1	.0	maximal) d'administrateurs nmerciale de la société, s'il y a lieu
Minimum of 1,	maximum of 1	.0	
Minimum of 1, Restrictions, if any, on busines None	maximum of 1	O Limites imposées à l'activité con	
Restrictions, if any, on busines	maximum of 1	.0	
Minimum of 1, Restrictions, if any, on busines None Other provisions, if any See attached S	maximum of 1	O Limites imposées à l'activité con	
Minimum of 1, Restrictions, if any, on busines None Other provisions, if any	maximum of 1	O Limites imposées à l'activité con	
Minimum of 1, Restrictions, if any, on busines None Other provisions, if any See attached S Incorporators—Fondateurs Name(s)—Nom(s)	maximum of 1	On Limites imposées à l'activité con Autres dispositions, s'il y a lieu Address (include postal code) Address (include le code postal)	nmerciale de la société, s'il y a lieu
Minimum of 1, Restrictions, if any, on business None Other provisions, if any See attached S Incorporators — Fondateurs Name(s) — Nom(s)	maximum of 1 sthe corporation may carry Schedule II 555 Any St	On Limites imposées à l'activité con Autres dispositions, s'il y a lieu Address (include postal code) Address (include le code postal)	nmerciale de la société, s'il y a lieu Signature
Minimum of 1, Restrictions, if any, on busines None Other provisions, if any See attached S Incorporators — Fondateurs Name(s) — Nom(s)	maximum of 1 sithe corporation may carry Schedule II 555 Any St Anytown ON	On Limites imposées à l'activité con Autres dispositions, s'il y a lieu Address (include postal code) Address (include le code postal)	nmerciale de la société, s'il y a lieu Signature [J. Smith]

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors **and/or** the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial securities regulation.

ANNEX A SAMPLE ARTICLES OF INCORPORATION: ONE CLASS OF SHARES

The CBCA allows for a number of provisions that **may** be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the restriction on the number of shareholders and any distribution of shares to the public, which are aimed at excluding the company from regulation by securities laws) or institutions (the limits on borrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

Other provisions:

- (a) The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- (b) Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- (c) If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

(d) The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Annex B

Sample Articles of Incorporation: Two Classes of Shares

Canada Business Loi Corporations Act soc	canadienne sur les iétés par actions	ARTICLES OF INCORPORA (SECTION 6)	ATION STATUTS	CONSTITUTIFS ITICLE 6)
1 — Name of corporation		Dénomination de la	société	
ABBA Consultin	ng Inc.			
2 — The place in Canada where th	e registered office is to be	situated Lieu au Canada où	doit être situé le siège social	
Any Regional I	Municipality	in Canada		
The classes and any maximum corporation is authorized to issue.	n number of shares that the	Catégories et tout r est autorisée à éme	nombre maximal d'actions que la ettre	société
	ne rights, p	ass A and an unl: rivileges, restri ached.		
4 — Restrictions, if any, on share t	ansfers	Restrictions sur le t	transfert des actions, s'il y a lieu	
See attached S	Schedule I			
5 — Number (or minimum and may Minimum of 1, 6 — Restrictions, if any, on busines None	maximum of	10	e minimal et maximal) d'administ i l'activité commerciale de la soci	
7 — Other provisions, if any		Autres dispositions	, s'il y a lieu	
See attached { 8 - Incorporators - Fondateurs	Schedule II			
Name(s) — Nom(s)		Address (include postal code)		Signature
Jane Smith	555 Any S	Adresse (inclure le code postal)		Signature
	Anytown O		[J. Sm	ith]
FOR DEDARTMENTAL HOE ONLY			15:11	
FOR DEPARTMENTAL USE ONLY — À L'USA Corporation No. — N° de la société	GE DU MINISTERE SEULEMENT		Filed — Déposée	
IC 3419 (5/95)				

ANNEX B SAMPLE ARTICLES OF INCORPORATION: TWO CLASSES OF SHARES

SCHEDULE A TO ARTICLES OF INCORPORATION - SHARE RIGHTS

- 1. The holders of Class A shares are entitled:
 - (a) to vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote;
 - (b) to receive the remaining property of the Corporation upon dissolution; and
 - (c) subject to the rights and privileges attaching to the Class B shares, to receive dividends as and when declared by the board of directors of the Corporation.
- 2. The holders of Class B shares are entitled:
 - (a) in priority to the holders of Class A shares and from the funds declared for the payment of dividends, to receive a maximum annual, preferential and non-cumulative dividend based on the prime lending rate of the bank of the Corporation at the date of the dividend less one percent (1%) as applied to the amount added, in respect of these shares, to the stated capital account maintained for the Class B shares, the date and terms of payment of such dividends to be determined by the board of directors; and
 - (b) upon dissolution of the Corporation, to repayment of the amount paid for such share (plus any declared and unpaid dividends) in priority to the Class A shares, but not to participate any further in profits or assets of the Corporation.
- 3. The holders of Class B shares shall not be entitled to vote at meetings of the shareholders except as otherwise specifically provided for by the terms of the Canada Business Corporations Act.

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors **and/or** the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial securities regulation.

ANNEX B SAMPLE ARTICLES OF INCORPORATION: TWO CLASSES OF SHARES

The CBCA allows for a number of provisions that **may** be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the restriction on the number of shareholders and any distribution of shares to the public, which are aimed at excluding the company from regulation by securities laws) or institutions (the limits on borrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

Other provisions:

- (a) The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- (b) Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- (c) If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

(d) The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Annex C Sample Form 3 — Notice of Registered Office

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Industry Canada

Industrie Canada

Canada Business Loi canadienne sur les Corporations Act sociétés par actions

FORM 3 NOTICE OF REGISTERED OFFICE OR NOTICE OF CHANGE OF REGISTERED OFFICE (SECTION 19)

FORMULE 3 AVIS DE DÉSIGNATION OU DE CHANGEMENT DU SIÈGE SOCIAL (ARTICLE 19)

1 — Name of corporation — Dénomination de la société

2 — Corporation No. — Nº de la société

[leave blank]

ABBA Consulting Inc.

3 — Place in Canada where the registered office is situated

Lieu au Canada où est situé le siège social

Any Regional Municipality in Canada

4 — Address of registered office

Adresse du siège social

123 Any Street Suite 555 Anytown ON M2T 1P9

CAUTION: Address of registered office must be within the place that is specified in articles; otherwise an amendment is required (Form 4) in addition to this form AVIS: L'adresse du siège social doit se situer à l'intérieur des limites du lieu indiqué dans les statuts. Sinon, une modification est requise (formule 4)

5 — Effective date of change

Date d'entrée en vigueur du changement

n/a

6 - Previous address of registered office

Adresse précédente du siège social

n/a

Date	Signature	Title — Titre
Jan. 1/97	[Jane Smith]	Director
IC 3420 (5/95)		Filed — Déposée

Annex D Sample Form 6 — Notice of Directors

###	Industry Canada Canada Business Corporations Act	Loi cana	a Canada Idienne sur les I par actions	FORM 6 NOTICE OF DIRECTOR OR NOTICE OF CHANG OF DIRECTORS (SECTIONS 106 AND 1		FORMULE LISTE DES ADMINI OU AVIS DE CHA DES ADMINISTE (ARTICLES 106	STRATEURS INGEMENT RATEURS
1- Name o	of corporation - Dénon	nination de la	société			2- Corporation No Nº de la	société
ABBA	Consulti	ng In	C.			[leave blan	nk]
3- The fol	lowing persons becam	e directors o	f this corporation	Les personnes société	s suivan	tes sont devenues administrat	eurs de la présente
Name Nom			Effective Date Date d'entrée en vigueur :	Residential Ad	Idress -	Adresse domiciliaire	Resident Canadian - Y/N Résident canadian - O/N
	Smith Nack		Jan. 1/97 Jan. 1/97	555 Any Stre Anytown ON 123 Another	M1A		yes
						E 9P7	yes
4- The foll	owing persons ceased	to be directo	ors of this corporation	Les personnes société	suivant	tes ont cessé d'être administra	iteurs de la présente
Name Nom			Effective Date Date d'entrée en vigueur :	Resi	idential	Address - Adresse domiciliaire	
5- The dire	ctors of this corporation	on now are		Les administra	teurs de	o la présente société sont main	itenant
	Name - Nom			Residential Address - Adresse	e domici	iliaire	Resident Canadian - Y/N Résident canadian - O/N
Jane	Smith		555 Any Str Toronto ON				yes
John	Nack		123 Another Anytown ON				.yes
Date		Signature		Title - Titre			
Jan.	1/97		Smith]	Direct	tor		
C 3103 (2	/96)			Filed - Déposée			

Annex E Sample Organizational Resolutions

RESOLUTIONS OF THE DIRECTOR(S) OF ABBA CONSULTING INC.

The undersigned, being the director(s) of ABBA CONSULTING INC., hereby sign(s) the following resolutions:

DESIGNATION OF OFFICES

The above resolution should specifically designate only those offices that are intended to be used.

DUTIES AND POWERS OF OFFICERS

RESOLVED that the officers of the Corporation shall exercise the following duties and powers:

- 1. The Chair of the Board shall, when present, preside at all meetings of the board of directors.
- 2. The President shall, when present, preside at all meetings of the board of directors in the absence of the Chair of the Board and at all meetings of shareholders and shall be responsible for the management of the business and affairs of the Corporation.
- 3. The Vice President, or, if more than one, the Vice Presidents, shall assist the President in the performance of the President's duties and, in order of seniority as determined by the board of directors, may perform the duties and exercise the powers of the President during the absence or inability to act of the President. If a Vice President performs any such duty or exercises any such power, the absence or inability of the President shall be presumed with respect thereto.
- 4. The Secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees of the board of directors. The Secretary shall attend meetings of the board of directors and of the shareholders and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings. The Secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation, if any.

ANNEX E SAMPLE ORGANIZATIONAL RESOLUTIONS

- 5. The Treasurer shall keep or cause to be kept full and accurate books of account in which shall be recorded all receipts and disbursements of the Corporation and, under the direction of the board of directors, shall control the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The Treasurer shall render an account of the financial position of the Corporation to the board of directors at each meeting of the board of directors, or whenever otherwise required by the board of directors.
- 6. Officers shall, in addition to those prescribed by this resolution, perform such duties and exercise such powers of management of the business and affairs of the Corporation as may from time to time be prescribed by the board of directors. An assistant to any officer shall assist such officer in the performance of such officer's duties and may perform the duties and exercise the powers of such officer during the absence or inability to act of such officer. If an assistant performs any such duty or exercises any such power, the absence or inability to act of such officer shall be presumed with respect thereto.

The above resolution should deal only with those offices that have been designated. If some offices are designated at a later time, the duties and powers of those positions should be set out at that time.

APPOINTMENT OF OFFICERS

RESOLVED that:

(name)

(manie)	is appointed Chairman of the Board of the Corporation.
(name)	is appointed President of the Corporation.
(name)	is appointed a Vice President of the Corporation.
(name)	is appointed Secretary of the Corporation.
(name)	is appointed Treasurer of the Corporation.

EXECUTION OF DOCUMENTS

RESOLVED that deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by _____(any director or officer/any two directors or officers) _____ of the Corporation. In addition, the directors may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

(name of class of shares) SHARE CERTIFICATES

RESOLVED that the form of certificate annexed hereto is approved and adopted as the form of certificate for the ______(name of class) shares in the capital of the Corporation.

BANKING RESOLUTION

RESOLVED that the banking resolution, in the form required by the (name of bank), a copy of which is annexed hereto as Schedule "B," is hereby approved.

Insert the appropriate form of banking resolution, which is provided by your bank, here.

FINANCIAL YEAR END

RESOLVED that the financial year of the Corporation shall end on (d/m) in each year.

APPOINTMENT OF AUDITORS

RESOLVED that ______, Chartered Accountants, are appointed auditors of the Corporation to hold office until the first annual general meeting of shareholders at such remuneration as may be fixed by the directors.

If you decide to dispense with the audit requirement (which requires the agreement of all shareholders), delete the paragraph above and include the paragraph approving an accountant found in the sample Organizational Resolutions of the Shareholder(s) below.

ANNEX E SAMPLE ORGANIZATIONAL RESOLUTIONS

CORPORATE SEAL

RESOLVED that the corporate seal of the Corporation is in the form impressed hereon.

There is no requirement for a corporation to have a corporate seal. If you decide not to have one, you should omit this resolution.

DATED	(d/m/y)	
		(signature)
		Director
	SUBSCRIPTI	ON FOR ONE COMMON SHARE
ro: ABBA	A Consulting Inc.	
capital o	f the Corporation	cribes for one common share in the and tenders herewith the sum of \$1.00 cription price for such share.
to the und	dersigned, that su	ests that the said share be allotted ch share be issued as fully paid and ertificate representing such share be indersigned.
DATED	(d/m/y)	
		(signature)

Shareholder

RESOLUTION OF THE DIRECTOR OF ABBA CONSULTING INC.

The undersigned, being the sole director of ABBA Consulting Inc., hereby signs the following resolution:

ALLOTMENT AND ISSUANCE OF SHARES TO	(name)
RESOLVED that:	
1. The subscription of(name) in the capital of the Corporation, which shereto, is accepted.	
2. The consideration for the allotment and share subscribed for as aforesaid is fixed	
3. One common share in the capital of the to	Corporation is allotted
4. The Corporation having received the sum of the subscription price for the said comissued and shall be held as a fully paid and a certificate therefor shall be issued	mmon share, such share is and non-assessable share
DATED (d/m/y)	
(sig	gnature)
Dia	rector

ANNEX E SAMPLE ORGANIZATIONAL RESOLUTIONS

ORGANIZATIONAL RESOLUTIONS OF THE SHAREHOLDER(S) OF ABBA CONSULTING INC.

ELECTION OF DIRECTOR(S)

RESOLVED that the following person(s) are hereby elected directors of the Corporation for the ensuing year or until their successors have been duly elected:

(name)

(name)
APPOINTMENT OF ACCOUNTANTS
RESOLVED that:
1. Pursuant to the Canada Business Corporations Act, an auditor of the Corporation shall not be appointed; and
2. (names) are hereby appointed accountants of the Corporation to hold office until the first annual general meeting of the shareholders or until their successors have been duly appointed at such remuneration as may be fixed by the directors, the directors being hereby authorized to fix such remuneration.
The undersigned, being all the shareholders of the Corporation, hereby consent, by their signatures, to the foregoing resolutions pursuant to the provisions of the Canada Business Corporations Act.
DATED (d/m/y)
(signature)
Shareholder

Annex F Sample By-law

BY-LAW NO. 1 ABBA CONSULTING INC.

A by-law relating generally to the transaction of the business and affairs of ABBA Consulting Inc. (hereinafter referred to as the "Corporation")

DIRECTORS

- 1. Calling of and notice of meetings: Meetings of the board shall be held at such place and time and on such day as the President, Vice President or Secretary or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board is elected.
- 2. Votes to govern: At all meetings of the board, every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chair of the meeting (shall shall not [choose one]) be entitled to a second or casting vote.
- 3. Interest of directors and officers generally in contracts:
 No director or officer shall be disqualified by his/her office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established, provided that the director or officer shall have complied with the provisions of the Canada Business Corporations Act.

ANNEX F & SAMPLE BY-LAW

SHAREHOLDERS' MEETINGS

4. Location and quorum: Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is located or, if the Board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada. At any meeting of shareholders, a quorum shall be (any number you decide) persons present in person and each entitled to vote thereat [and holding or representing by proxy not less than (any number you decide) percent of the votes entitled to be cast thereat].

INDEMNIFICATION

- 5. Indemnification of directors and officers: The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his/her heirs and legal representatives to the extent permitted by the Canada Business Corporations Act.
- 6. Indemnity of others: Except as otherwise required by the Canada Business Corporations Act and subject to paragraph 5, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed activity, suit or proceeding, whether civil, criminal, administrative or investigative (other than an activity by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him/her in connection with such activity, suit or proceeding if he/she acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative activity or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his/her conduct was lawful. The termination of any activity, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative activity or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his/her conduct was lawful.

- 7. Right of indemnity not exclusive: The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to activity in his/her official capacity and as to activity in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.
- 8. No liability of directors or officers for certain matters: To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever that may happen in the execution of the duties of his/her respective office or trust or in relation thereto unless the same shall happen by or through his/her failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate that is employed by or performs services for the Corporation, the fact of his/her being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

BANKING ARRANGEMENTS, CONTRACTS, ETC.

9. Banking arrangements: The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.

ANNEX F > SAMPLE BY-LAW

10. Execution of instruments: Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any (any number you decide) officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities), proxies for shares and other securities and all paper writings.

MISCELLANEOUS

- 11. Invalidity of any provisions of this by-law: The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.
- 12. Omissions and errors: The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any activity taken at any meeting held pursuant to such notice or otherwise founded thereon.

INTERPRETATION

13. Interpretation: In this by-law and all other by-laws of the Corporation, words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Canada Business Corporations Act" shall mean Canada Business Corporations Act, R.S.C. 1985, c. C-44 as amended from time to time or any Act that may hereafter be substituted therefor; and "meeting of shareholders" shall mean and include an annual general meeting of shareholders and a special meeting of shareholders.

REPEAL

The next clause should be included only if previous by-laws are being replaced.

14. Repeal: By-laws No. (number) of the Corporation are repealed as of the coming into force of this by-law, provided that such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Canada Business Corporations Act until their successors are appointed.

DATED	(d/m/y)		
		(signature)	
		President	
		(signature)	
		Secretary	

ANNEX F 🕿 SAMPLE BY-LAW

RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS OF ABBA CONSULTING INC.

rs of (corporation), hereby
(signature)
Director
(signature)
Director
(signature)
Director
1 of the by-laws of the
hareholders of <u>(corporation)</u> ,
(signature)
Shareholder
(signature)
Shareholder
(signature)
Shareholder

Annex G Sample Notice of Annual General Meeting and Minutes of an Annual General Meeting

The Notice and Minutes below provide suggested wording and format that you can adapt to your business at its first shareholders' annual general meeting for the election of directors and the appointment of officer(s), auditor(s) and accountant(s). Alternatively, you can proceed by way of written resolution instead, as shown in Annex E.

NOTICE OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

NOTICE	IS H	EREBY GIVEN that the annual general meeting of the
holder	s of _	(name of class of shares) Shares of ABBA Consulting Inc.
(the "	'Corpo	ration") will be held at on
(d	/m/y)	at the hour ofin the forenoon, for the
purpos	e of:	
	(1)	receiving and considering the annual report and financial statements for the year ended(d/m) and the report of the auditors thereon;
	(2)	electing directors;
	(3)	appointing auditors; and
	(4)	transacting such further and other business as may properly come before the meeting or any adjournment thereof.
Dated	this	(d) day of (m) 19 (y).
		ON BEHALF OF THE BOARD OF DIRECTORS
		(signature)
		Secretary

ANNEX G SAMPLE NOTICE OF ANNUAL GENERAL MEETING AND MINUTES OF AN ANNUAL GENERAL MEETING

MINUTES OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

Minutes of the annual general meeting of the shareholders of
ABBA Consulting Inc. held at (address) on the (d/m/y) at the hour of (time) in the forenoon (local time).
the foremoon (local time)
1. Present in Person
(name)
2. Represented by Proxy
being all of the shareholders of the Corporation.
3. Chair and Secretary
The President,
4. Constitution of Meeting
All of the shareholders of the Corporation being present in person or represented by proxy and all the shareholders, directors and auditors of the Corporation having been sent notice of the meeting in the manner required by law, the Chair declared the meeting properly constituted for the transaction of business.
5. Financial Statements
The Chair presented to the meeting the balance sheet of the Corporation as at (d/m/y), and the other financial statements of the Corporation for the financial year ended on such date. At the request of the Chair, the Secretary of the meeting then read to the meeting the auditor's report. Following the reading of the auditor's report, the Chair invited questions and comments from the floor and, there being none, the Chair proceeded to the next item of business.

6. Election of Directors

The Chair stated that it was now in order to proceed with the election of directors. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names of directors)

are hereby elected directors of the Corporation to hold office for the ensuing year or until their successors are elected or appointed, whichever occurs first.

OR

6. Election of Directors

The Chair stated that it was now in order to proceed with the election of directors and declared the meeting open for nominations. The following were nominated as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first:

(name)	
(name)	
(name)	

There being no further or other nominations, the Chair declared the nominations closed and directed the Secretary of the meeting to cast a single ballot for the election of the foregoing persons as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first. Such ballot having been cast, the Chair declared the foregoing persons to have been elected directors of the Corporation for the ensuing year or until their successors are elected or appointed.

7. Appointment of Auditors

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names) ,
Chartered Accountants, are hereby appointed the auditors of the
Corporation to hold office until the close of the next annual
general meeting of the shareholders or until a successor is
appointed, at such remuneration as may be fixed by the directors,

and the directors are hereby authorized to fix such remuneration.

ANNEX G > SAMPLE NOTICE OF ANNUAL GENERAL MEETING AND MINUTES OF AN ANNUAL GENERAL MEETING

OR

7. Appointment of Accountants

The Chair stated that the Corporation meets the conditions referred to in section 163 of the *Canada Business Corporations Act* (the "Act") and that all the shareholders of the Corporation have consented in writing that the Corporation be exempt from the requirements of section 160 of the Act. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names)

are hereby appointed the accountants of the Corporation to hold office until the close of the next annual general meeting of shareholders at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

8. Confirmation of Proceedings

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: all by-laws, resolutions, contracts, acts, and proceedings of the board of directors, shareholders and officers of the Corporation enacted, passed, made, done or taken since (date of last meeting) as the same are set forth or referred to in the minutes of the Corporation or in the financial statements submitted to the shareholders of the Corporation on this date are hereby approved, ratified, sanctioned and confirmed.

9. Termination

There being no further business, on motion duly made, seconded and unanimously carried, the meeting was terminated.

Annex H Sample Form 22 — Annual Return

Industry Canada Industrie Canada			Form 22 ANNUAL RETURN	Formule 22 RAPPORT ANNUEL		
	oi canadienne sur s sociétés par actions			(section 263) (article 263) FOR YEAR POUR L'ANNÉE 19		
Corporation name and registered office address	Dénomination de la soci du siège social	été et adresse du lieu	2. Corporation No	N° de la société		
ABBA Consulting I 123 Any Street Suite 555	inc.		999999-	1		
Anytown ON M2T	LP9					
(and mailing address, if different from th of registered office)	at (ainsi qu'adresse postale celle du siège social)	e si elle diffère de	3. Financial year end			
Anniversary date of - Date anniversaire degree of Jan. 1	X Incorporation Constitution		inuance egation	Amalgamation Fusion		
5. Main types of business - Catégories princ Consulting	cipales d'activité commerciale					
6. Has there been a change of directors?			a change of registered office nangement du siège social ?	?		
Y a-t-il eu un changement d'administrate Yes Oui	X No Non	Yes	v	No Non		
If yes, has Form 6 been Si oui, la fo			n 3 been • Si oui, la formul			
Filed Déposés	Attached Annexée	Filed Dépos	6e	Attached Annexée		
B. Date of last annual meeting - Date de la Feb. 15, 1998	dernière assemblée annuelle	Does the corpor its securities to La société émet mobilières par v souscription pui	the public? -elle ses valeurs ole de	Yes X No Non		
10. Does the corporation have 15 or more	shareholders? - La société a-t-el	lle 15 actionnaires ou	plus ?			
Yes Oui	X No Non					
Does the corporation have in place a unagreement referred to in subsection 14 in whole or in part, the power of the dibusiness and affairs of the corporation	6(2) of the Act, that restricts, irectors to manage the	au paragraphe	146(2) de la loi, qui restreint idministrateurs de gérer les af			
Yes Oui	X No Non					
Signature	Title - Titre		Date	Telephone No.		
[Jane Smith]	Director		Mar. 1, 1998	(555)555-55		
DEPARTMENT ONLY - MINISTÈRE SEULEM	ENT					
Date received Date de réception Validation	Key code -	Code clé	Cheque - Chèque	Amount - Montant		
Note: A fee of \$50 is required, payabl Receiver General for Canada	e to the	Note	: Un droit de 50 \$ est rec receveur général du Cai			

IC 2580 (2/96)

Please see instructions on reverse side

Voir les instructions au verso

Contacts

Corporations Directorate

The following free information kits are available from the Corporations Directorate:

Canada Business Corporations Act Incorporation Kit

Amalgamation Kit

Amendment Kit

Continuance (Import) Kit

Continuance (Export) Kit

Dissolution Kit

Exemptions Kit

Name-granting Guidelines

Name Policy Compendium

To obtain the above documents, write to or call:

Publications and Information Unit

Corporations Directorate

Industry Canada

9th Floor, Jean Edmonds Towers South

365 Laurier Avenue West

Ottawa ON K1A 0C8

Tel.: (613) 941-9042

Fax: (613) 941-0601

These documents are also available seven days a week, 24 hours a day:

• from the automated fax information service at:

Fax: (613) 941-0200 or (613) 941-0199

• on the Internet at:

http://strategis.ic.gc.ca/sc_mrksv/corpdir/engdoc/homepage.html (English) http://strategis.ic.gc.ca/sc_mrksv/corpdir/frndoc/homepage.html (French)

For information on other materials available regarding incorporation, including fees, under the CBCA, please feel free to call the Corporations Directorate, General Enquiries at:

Tel.: (613) 941-9042

or contact either of our Regional Offices:

• British Columbia:

Tel.: (604) 666-9875

• Quebec:

Tel.: (514) 496-1797

Other Federal Government Resources of Interest to Small Businesses

Business Development Bank of Canada (BDC)

The Business Development Bank of Canada's network of 84 branch offices across Canada promotes the creation and development of small businesses through specialized financing for commercially viable enterprises. BDC has also initiated a number of business counselling, training and mentoring services to meet the needs of small business at each stage of your business's development. Contact BDC at:

Toll-free: 1-888-INFO-BDC (1-888-463-6232)

Canada Business Service Centres (CBSCs)

Canada Business Service Centres have been established in each province and territory to provide small businesses with a single access point for quick, accurate and comprehensive information on federal, provincial/territorial and municipal government programs services and regulations. Information officers can either provide you with the required information or direct you to the best source. Contact CBSCs at:

Toll-free: 1-888-811-1119

Internet: http://www.cbsc.org/english/index.html (English) http://www.cbsc.org/francais/index.html (French)

or at the office in your province or territory:

Alberta	Tel.: (403) 422-7722	Toll-free: (800) 272-9675
British Columbia	Tel.: (604) 775-5525	Toll-free: (800) 667-2272
Manitoba	Tel.: (204) 984-2272	Toll-free: (800) 665-2019
New Brunswick	Tel.: (506) 444-6140	Toll-free: (800) 668-1010
Newfoundland	Tel.: (709) 772-6022	Toll-free: (800) 668-1010
Northwest Territories	Tel.: (403) 873-7958	Toll-free: (800) 661-0599
Nova Scotia	Tel.: (902) 426-8604	Toll-free: (800) 668-1010
Ontario	Tel.: (416) 954-INFO (4636)	Toll-free: (800) 567-2345
Prince Edward Island	Tel.: (902) 368-0771	Toll-free: (800) 668-1010
Quebec	Tel.: (514) 496-INFO (4636)	Toll-free: (800) 322-INFO (4636)
Saskatchewan	Tel.: (306) 956-2323	Toll-free: (800) 667-4374
Yukon	Tel.: (403) 633-6257	Toll-free: (800) 661-0543

CONTACTS

Community Futures Development Corporations (CFDCs)

Community Futures Development Corporation services can provide you with:

- counselling and advisory services to help with the establishment, expansion, competitiveness and stabilization of your business
- financial assistance in the form of loans, loan guarantees or equity investments up to \$75 000 to help you in the creation or maintenance of long-term employment in your community.

Reach the Community Futures Development Corporation at:

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

Regional Development Agencies

The federal government has set up four regional development agencies to address the regional needs of small businesses. The agencies complement the work of the government's financial institutions and do the kind of local level economic development, mentoring and program distribution work for which private sector financial institutions are not equipped.

Each agency works with other federal departments, with provincial and municipal governments, and with the private sector to provide you with access to capital, markets, information and skills development. The agencies also provide assistance with the development of innovations and technologies and, in some cases, with tourism.

Atlantic Canada Opportunities Agency (ACOA)

Tel.: (506) 851-2271 Toll-free: 1-800-561-7862

Federal Economic Development Initiative in Northern Ontario (FedNor)

Tel.: (705) 671-0711 Toll-free: 1-800-461-4079

Federal Office of Regional Development (Quebec)

Tel.: (514) 283-6412

Western Economic Diversification Canada (WD)

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

Small Business Loans Administration

The Small Business Loans Administration is designed to help new and existing small businesses with annual gross revenues not exceeding \$5 million (excluding farming and charitable or religious enterprises) to obtain term loans from chartered banks and other lenders in order to finance the purchase and improvement of fixed assets. The Administration also provides for the sharing of loan losses, if any, between the lenders and the federal government. The loans are made directly by approved lenders to small businesses. Contact the Small Business Loans Administration at:

Tel.: (613) 954-5547

Internet: http://strategis.ic.gc.ca/sbla (English) http://strategis.ic.gc.ca/ppe (French)

Strategis: Industry Canada On-Line

Strategis is Canada's largest business web site. It can provide you with easy, direct access to Industry Canada's extensive expertise and information resources. The information on *Strategis* will help you make critical decisions about opportunities for growth, explore new markets, find partners, form alliances, find and develop new technologies or processes, or assess the risks of new ventures. Reach *Strategis* at:

Internet: http://strategis.ic.gc.ca

Women's Enterprise Initiative (WEI)

Women's Enterprise Centres have been established in Alberta, British Columbia, Manitoba and Saskatchewan with funding from Western Economic Diversification Canada to provide loan financing and support to women entrepreneurs. Contact the WEI at:

Tel.: (405) 495-4104 Toll-free: 1-888-338-9378

Small Business Tax Requirements and Services

Business Number and Integrated Services

The Business Number (BN), which has been mandatory since January 1, 1997, is a new number system that replaces the multiple numbers you formerly used to deal with the federal government. It gives you a unique identifier that remains unchanged, no matter how many or what types of accounts you have. To register a new business, or for more information on the other services below, call:

Toll-free: 1-800-959-5525 (English) Toll-free: 1-800-959-7775 (French)

Goods and Services Tax (GST)

Revenue Canada has implemented a number of initiatives to simplify your payment of the GST:

• GST Electronic Filing and Remitting Program

Revenue Canada has implemented a new electronic option to file your GST return and to remit payments using Electronic Data Interchange (EDI) technology. Call: Toll-free: 1-800-279-5394

• GST Simplified Accounting Method — Quick Method

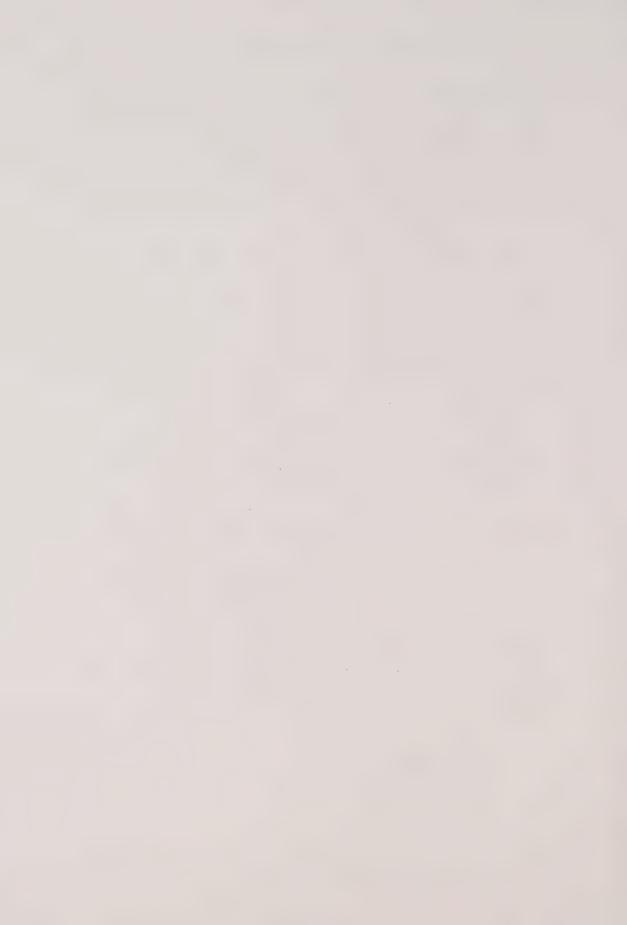
This is a simplified accounting option to help small businesses calculate the GST they owe, without having to track the GST they pay or to claim GST input tax credits. Businesses with worldwide annual taxable sales (including zero-rated sales) of \$200 000 or less, including GST and annual taxable sales of all associated businesses, can use this method, with some exceptions.

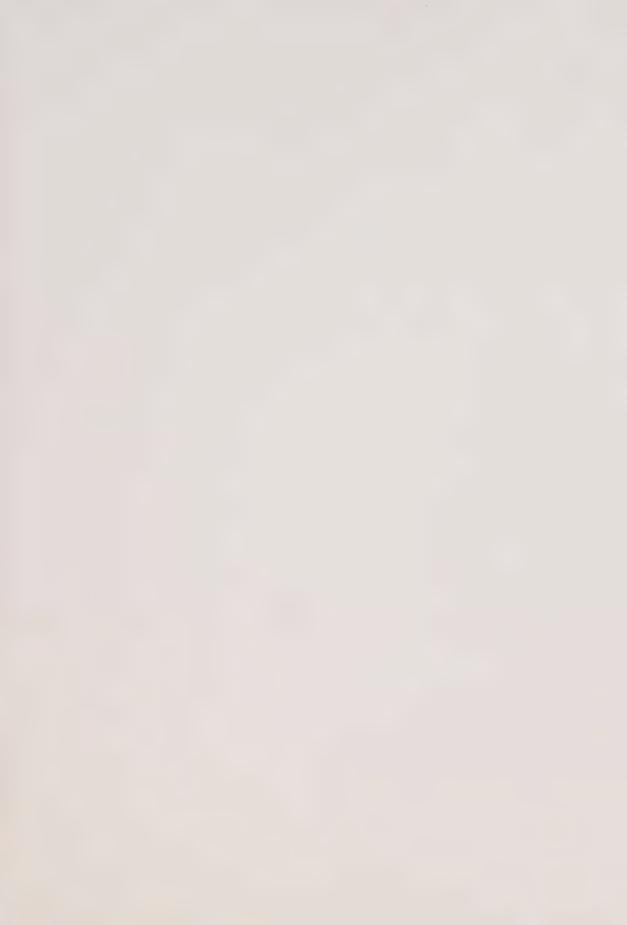
Scientific Research and Experimental Development (SR&ED) Investment Tax Credit

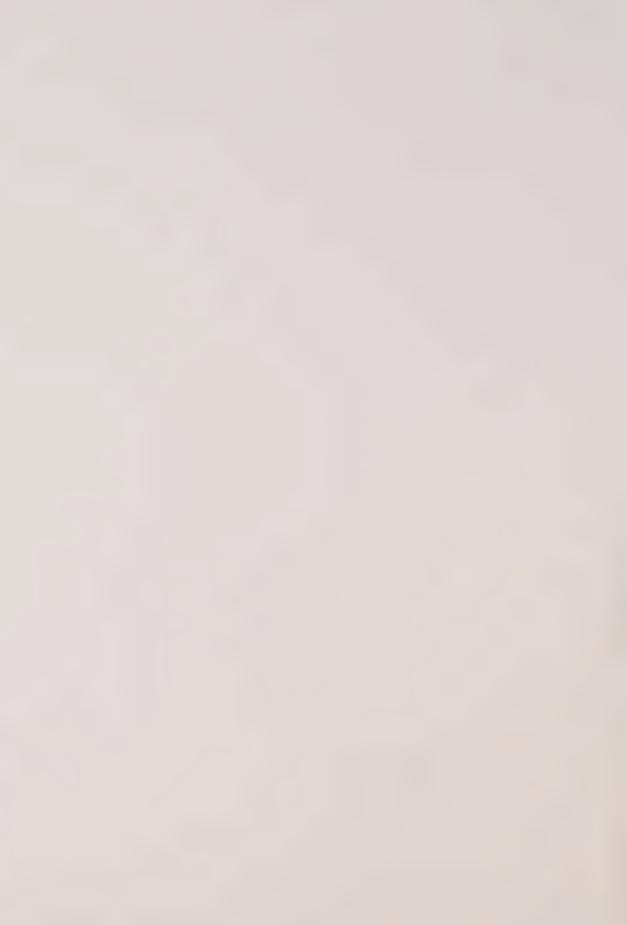
An investment tax credit is available for small businesses engaged in scientific research and experimental development. If you have never filed a claim for the SR&ED investment tax credit, Revenue Canada has a service to help you. The service also makes you aware of the incentives to file, including the new 18-month filing deadline.

Simplified Returns and Claims

Incorporated businesses are required to submit a T2 corporate tax return. If your business has gross revenues of \$500 000 or less and no taxable income, you can submit a T2 Short return. This two-page return reduces the time it takes to complete the form.











Small Business Guide to FEDERAL INCORPORATION





Small Business Guide to FEDERAL INCORPORATION



Corporations Directorate Industry Canada Summer 1999 **Small Business Guide to Federal Incorporation** and many other Corporations Directorate documents are available electronically on the Industry Canada *Strategis* website at:

http://strategis.ic.gc.ca/sc_mrksv/corpdir/engdoc/homepage.html (English) http://strategis.ic.gc.ca/sc_mrksv/corpdir/frndoc/homepage.html (French)

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A Message from the Minister

Industry Canada is committed to supporting the growth of our nation's small and medium-sized enterprises (SMEs). Canada now has more than 2.3 million of these businesses, and the number is growing. They are leading the way in job creation in our country, and account for half of all private sector employment and almost half of Canada's economic output.

The Canada Business Corporations Act (CBCA) is the federal business law applying to Canadian businesses of all sizes, including SMEs. Part of Industry Canada's commitment to supporting small businesses is ensuring that they have ready access to knowledge about their rights and obligations under the CBCA. Therefore, Industry Canada's Corporations Directorate has developed this Small

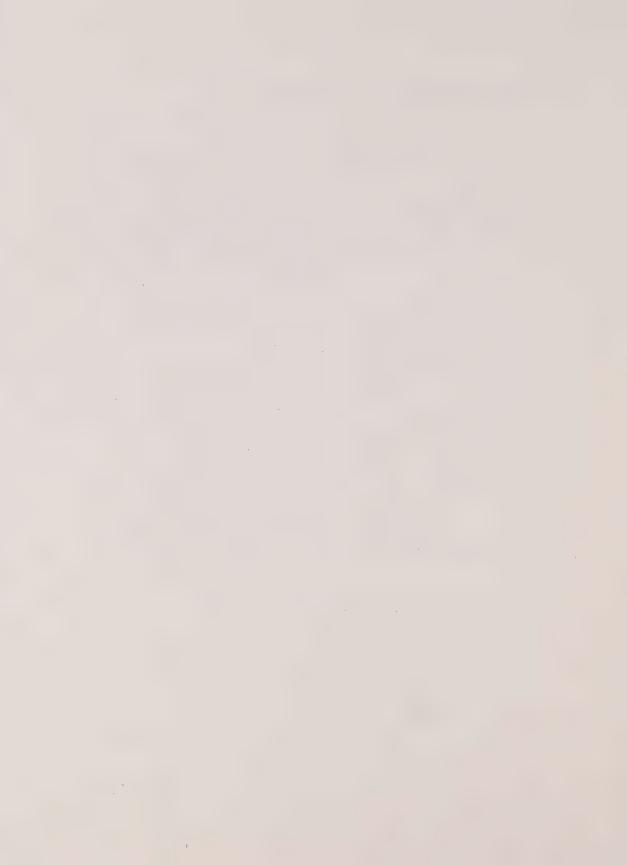
Business Guide to Federal Incorporation to give owners and others responsible for small businesses step-by-step directions on whether to incorporate, how to go about doing so, and what activities you must carry out to remain in compliance with the CBCA. The Guide also includes some samples of

incorporating documents, by-laws and other corporate records to help you maintain the appropriate records and potentially reduce external costs to the business.

I hope this Guide will be useful to small business owners and operators who wish to set up and run a corporation in accordance with the legal requirements of the CBCA. Members of the staff of the Corporations Directorate are dedicated to providing quality service and are available to answer your questions.

Small businesses are the key to jobs and economic growth in Canada. Your choice of federal incorporation will put the Government of Canada to work for you. I wish you much success in your business venture.

The Honourable John Manley Minister of Industry



Preface

The purpose of this Guide is to give the reader a general overview of federal corporate law under the *Canada Business Corporations Act* (CBCA). It provides the basic knowledge and tools that business owners and operators need to incorporate and operate a small or medium-sized private company under the federal corporate law.

The Guide provides useful hints to help you meet CBCA requirements for federal incorporation. It assumes that you are past the initial business concept stage and that you have made or are in the process of making a decision to incorporate.

The Guide focusses on general incorporation issues for small businesses under the CBCA. (Note that banking, insurance, loan and trust companies as well as non-profit corporations are incorporated under different statutes in Canada.) Much of the discussion in this Guide applies only to companies with fewer than 15 shareholders, since most small businesses, at least at the beginning, have fewer than 15 shareholders anyway. It does not describe matters relating only to publicly held corporations or only to situation-specific provisions such as takeover bids or management proxy solicitations. Instead, the focus here is — and stays — on the information you need to incorporate and run your small business under federal jurisdiction.

While this Guide is aimed at the small, oneowner corporation, some information that a corporation with several shareholders/directors will want to consider is included. As you review the material, you may find that some sections contain more information than you feel you need at the start. We suggest you hold onto the Guide; as your business develops, you may want to refer to these sections at a later time.

The answers to frequently asked questions (FAQs) and a glossary of terms are included for your reference. The annexes contain samples of forms you may wish to check before submitting your articles of incorporation under the CBCA; you may adapt the wording contained in them for your own circumstances. There are also samples of minutes of typical annual general meetings, resolutions, by-laws and annual returns.

Helpful suggestions or sources for more information appear in boxes accompanying the text throughout the Guide. Key CBCA provisions are cited in the text. A complete copy of the CBCA is available electronically via the Internet at the following address:

http://canada.justice.gc.ca/FTP/EN/Laws/
Title/C/index.html (English)
http://canada.justice.gc.ca/FTP/FR/Lois/
Titre/C/index.html (French).

Instructions on how to contact our corporate specialists as well other federal government resources for SMEs who can meet your specific needs are included at the back of this Guide in the Contacts section. In addition, the Corporations Directorate has prepared information kits with instructions on how to incorporate your company and maintain or change its status under the CBCA. A list of titles and where to obtain them is included in the Contacts section.

A caution: This Guide is not legal advice. It does not discuss all of the other federal and provincial laws that impose obligations on CBCA corporations and their operators, nor does it attempt to deal exhaustively with the CBCA. It does, however, provide the basic knowledge and tools that a small or medium-sized business operator needs for incorporating and operating a private company under the CBCA.

Contents

1 Why Should I Incorporate?	
2 Submitting Articles of Incorporation	
3 Organizing Your Company	1
4 Complying with the CBCA	19
5 Shareholders	2:
Frequently Asked Questions	3:
Glossary of Terms	33
Annexes	
A — Sample Articles of Incorporation: One Class of Shares	35
B — Sample Articles of Incorporation: Two Classes of Shares	38
C — Sample Form 3 — Notice of Registered Office	42
D — Sample Form 6 — <i>Notice of Directors</i>	43
E — Sample Organizational Resolutions	44
F — Sample By-law	5(
G — Sample Notice of Annual General Meeting and Minutes	
of an Annual General Meeting	50
H — Sample Form 22 — Annual Return	60
Contacts	
Corporations Directorate Staff and List of Information Kits Available	61
Other Federal Government Resources of Interest to Small Businesses	64
Small Business Tay Requirements and Services	65



1 Why Should I Incorporate?

"I am starting a new business. Should I incorporate?" This is one of the most frequently asked questions by entrepreneurs. The answer usually is "it depends."

Factors to consider are the benefits of incorporating (rather than operating your business as a sole proprietorship or partnership) and the implications that incorporating may have on your business. Then you will have to choose between either federal or provincial incorporation.

Your choice really depends on the circumstances facing you at a particular time, and these may change over time. Therefore, even if you are not ready to incorporate now, you should keep this Guide for later reference as your circumstances change.

The federal business law in Canada is the *Canada Business Corporations Act* (CBCA). When the CBCA was first made law in 1975, it introduced the notion of "incorporation as of right." In other words, when you properly complete the application form set out in the CBCA (known as the articles of incorporation), provide certain information (acceptable business name, directors and address of registered office) and pay the appropriate fee, you will be issued a certificate of incorporation. This makes federal incorporation a very simple process.

1.1 Benefits of Incorporating

- □ Limited Liability
- □ Greater Access to Capital

1.2 Implications of Incorporating

- ▶ Required: Directors, Officers and Shareholders

1.3 Benefits of Incorporating Federally

- ▷ Resource for Small Business

1.1 Benefits of Incorporating

Separate Legal Entity

The act of incorporation gives life to a legal entity known as the corporation, commonly referred to as a "company" (throughout this Guide, the terms "corporation" and "company" are used interchangeably). A corporation has the same rights and obligations under Canadian law as a natural person. A corporation can acquire assets, go into debt, enter into contracts, sue or be sued, and even in some situations be found guilty of committing a crime. A company's money and other assets belong to the company and not to the shareholders.

(CBCA section 15)

Once incorporated, the company's separate legal status, property, rights and liabilities continue to exist until the company is dissolved, even if one or more of its shareholders or directors sell their shares, die or leave the company.

Limited Liability

The act of incorporation limits the liability of a company's owners or shareholders. As a general rule, shareholders of a company are not liable for the company's debts. If the company goes bankrupt, then a shareholder will not lose more than his or her investment (unless the shareholder has provided personal guarantees for the company's debts). A creditor cannot sue shareholders for liabilities (debts) incurred by the corporation, even though shareholders are owners of the corporation.

(CBCA section 45)

Note, however, that if a shareholder has another relationship with the corporation, for example, as a director, then he or she in certain circumstances may be liable for the debts or liabilities of the corporation in that capacity.

The CBCA as well as many other federal and provincial statutes impose various duties on directors. In general, these duties or liabilities are imposed where the legislature has decided that a certain act or failure to act is of sufficient importance to warrant going beyond the general rule of limited liability (see Section 4.2 — Duties and Liabilities of Management).

Lower Corporate Tax Rates

A corporation is taxed separately from its owners and generally at a lower tax rate. For example, active private companies in Ontario pay a combined flat tax of less than half that of an individual in the highest tax bracket on the first \$200 000 of taxable income.

Once dividends are paid out to the share-holders of a company, those dividends are taxable in the hands of the shareholders at the shareholders' personal tax rate. The corporate structure does permit some measure of tax deferral, since you decide when to pay out the company's earnings by way of dividend. Until you do so, this money is taxed only at the lower corporate rate, not at the personal rate.

Note that losses from the business cannot be written off against other personal income the owners or shareholders may have.

For more information on the tax benefits and implications of incorporation, consult the Revenue Canada Small Canadian Business Guide. It covers such matters as business and professional income, and payroll deductions. For the Revenue Canada office nearest you, consult the Blue Pages of your telephone directory or reach Revenue Canada on-line at http://www.rc.gc.ca/. Your accountant or lawyer will also be able to provide you with comprehensive tax advice.

Greater Access to Capital

Raising capital is often easier for corporations than for other forms of business. For example, corporations are entitled to issue bonds or share certificates to those who invest money in the company. Other forms of business

must rely solely on their own money and loans for capital. Reliance on these latter means of financing often limits a business's ability to expand.

Corporations often are able to borrow capital at a much lower rate than other forms of business. This is probably because financial institutions and other sources of financing perceive loans to corporations as being less risky investments.

While the reasons are not wholly clear, many financial institutions believe corporations (as opposed to partnerships or sole proprietorships) are better loan risks, and therefore feel more comfortable providing capital to corporations. They are supported in this view by studies showing that incorporated businesses are more successful than unincorporated ones.

For more information on how SMEs can finance their business venture, check out Industry Canada's Strategis web site at:

http://strategis.ic.gc.ca/sc_mangb/sources/
engdoc/homepage.html (English)
http://strategis.ic.gc.ca/sc_mangb/sources/
frndoc/homepage.html (French).

Continuous Existence

Unlike a partnership or sole proprietorship, a corporation does not cease to exist upon the death of its owner(s). Even if every shareholder and director were to die, the corporation would still live on, and ownership would transfer to the shareholders' heirs. This assurance of continuous existence gives a business greater stability, allowing it to carry out planning over a longer term and to obtain more favourable financing terms.

1.2 Implications of Incorporating

Higher Start-up Costs

Start-up costs are higher if you choose to incorporate rather than carry on business as a sole proprietorship or partnership. These start-up costs are directly related to the process of setting up the corporation, as well as any professional fees for legal and accounting services. While it is not necessary to obtain legal advice to incorporate, it would certainly be worthwhile to do so if you are considering setting up with a complex share structure.

On the other hand, the higher start-up costs may be offset by the lower financing and tax rates that corporations often enjoy. Moreover, obtaining financing may be easier because lenders are generally more accustomed to dealing with corporations than with other forms of business.

Increased Paperburden

Carrying on business as a corporation may increase the number of filings you are required to make. For instance, the CBCA requires that you file each year an annual return (Form 22 — see Annex H) and also inform the Corporations Directorate of any changes in your board of directors and/or location of your registered office (Forms 3 and 6 — see Annexes C and D). You will also be required to file separate income tax returns for yourself and your company, which may lead to an increase in your ongoing professional costs. Your company is also required to maintain certain corporate records (see Section 4.1 — Corporate Records).

Further, you will likely be required to register your company in any province or territory where you carry on business. Registration is different from incorporation. While a company may be incorporated only once, it may be registered in any number of jurisdictions to carry on business. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine what filing requirements you will have to fulfil.

Required: Directors, Officers and Shareholders

Although a corporation is a distinct legal entity, it does not have a physical presence. It must act through people. There are three main types of persons who may have an interest in a particular corporation and through whom it acts:

- directors
- officers
- shareholders.

Individuals may hold more than one position in a company. For example, the same person may be a shareholder, a director and an officer, or even the sole shareholder, director and officer.

The directors are responsible for supervising the management of the company's business. Your company's articles of incorporation will specify the number or minimum and maximum numbers of director. You must have at least one director.

(CBCA sections 6, 102, 105)

Officers may hold positions in the company such as President, Chief Executive Officer, Secretary and Chief Financial Officer. They are appointed by the board of directors. The duties of the company's officers are normally found in its by-laws. In general, the directors assign the officers the responsibility to manage and execute the day-to-day business of the corporation.

(CBCA section 121)

Shareholders, who own the company, make decisions by passing resolutions, usually at meetings (see Section 5.3 — *Shareholders' Meetings*). One of the most important decisions that shareholders make is the election of directors.

If you are considering a business venture involving more than one individual (fellow shareholders), think about obtaining legal advice on entering into a shareholder agreement. Shareholder agreements can be useful in establishing the rules by which the shareholders make decisions and, most importantly, in resolving disputes among themselves. While this subject is beyond the scope of this Guide, Section 5.4 — Shareholder Agreements reviews these documents in very general terms.

1.3 Benefits of Incorporating Federally

In Canada, you have the choice of 12 provincial and territorial jurisdictions and one federal jurisdiction of incorporation. While company law statutes in Canada are quite similar, incorporation under the CBCA does offer certain distinct advantages.

CHAPTER ONE WHY SHOULD I INCORPORATE?

Heightened Name Protection

One of the reasons most often given by our clients for choosing federal incorporation is the heightened name protection provided to federal corporations, seen as an important element of the right to carry on business throughout Canada. While every incorporating jurisdiction in Canada screens potential corporate names (see Section 2.1 — Choose a Name), the level of scrutiny varies from province to province. At the Corporations Directorate, we apply the most stringent of tests before granting the right to use a particular name. What does this stringency mean to you, the client? It is a guarantee that once your corporation obtains its name, that name has a protected status second only to trade-mark protection.

A related benefit is the constitutional right of a CBCA company to carry on business anywhere in Canada. "Carrying on business" includes the right to do so under your own name. All corporations, including CBCA corporations, may be required by a province or territory to register to carry on business within its borders, and to register its name for exclusive use within that province or territory. If you are incorporated under one province's legislation and later wish to expand your business to another, a company name similar to yours may already be in use in that other province. Only with CBCA incorporation can you be assured of being able to operate under your corporation's own name throughout Canada, both now and later.

Location Flexibility

Incorporation under the CBCA offers flexibility not available under other jurisdictions. For instance, the CBCA does not set restrictions regarding the province or territory where your head office is located, your corporate records are maintained and your annual general meetings are held.

High-quality Service

The Corporations Directorate takes great pride in its customer service standards. Turnaround times for various services such as incorporation are a matter of public record, as are the Corporation Directorate's results in reaching such standards.

As a service provider in a competitive market, the Corporations Directorate is always pursuing ways to make itself more accessible and convenient to clients. For example, it will soon offer clients an Electronic Business Environment filing service that allows you to send documents to — and receive documents from — the Director under the CBCA.

The Electronic Business Environment initiative will ensure that the Corporations Directorate is as close as your computer. Visit our web site at:

http://strategis.ic.gc.ca/sc_mrksv/corpdir/ engdoc/homepage.html (English) http://strategis.ic.gc.ca/sc_mrksv/corpdir/ frndoc/homepage.html (French).

Resource for Small Businesses

Industry Canada, including the Corporations Directorate, views SMEs as the key to jobs and economic growth in our country.

Dealing with a complex piece of legislation, like the CBCA or any of the provincial and territorial incorporation statutes, can be daunting to many individuals. Incurring professional fees to help deal with them can often be beyond the reach of people starting out in a business venture.

The Corporations Directorate therefore has invested much time and effort in developing materials, such as this Guide, designed to help the small business person through the steps involved in starting and operating a corporation. Most of these are available in both paper and electronic forms (see the Contacts section at the back of this Guide for a list of these materials). Do-it-yourself information kits on most aspects of the CBCA as well as

policy statements and guidelines clarifying the position of the Director under the CBCA on various matters are also available.

New materials are continually being prepared in consultation with clients. In addition, a great deal of research and analysis is being done with respect to developing new services, policies and legislative or regulatory amendments. For example, Industry Canada has recently concluded a series of crosscountry consultations on a project designed to significantly reform the CBCA.

Regardless of your location in Canada, incorporation under the CBCA is available to you. With federal incorporation comes excellence in customer service, a focus on accessibility and, of course, the status of being a federal corporation. **We are your jurisdiction of choice**.

2 Submitting Articles of Incorporation

Once you have decided to incorporate, there are some simple steps you must take to set up your company. Federal corporations are formed by filing articles of incorporation with the Corporations Directorate. In filling out these basic forms, you will need to make some decisions on the name of the business, location of registered office, who will serve as directors, etc.

Annex A contains a sample of Form 1 — *Articles of Incorporation* completed for a basic type of company with only one class of shares. Annex B provides another sample of a completed Form 1, but for a company with two classes of shares.

Additional forms must accompany the articles of incorporation:

- Form 3 Notice of Registered Office or Notice of Change of Registered Office (see Annex C for a sample)
- Form 6 Notice of Directors or Notice of Change of Directors (see Annex D for a sample).

To incorporate under the CBCA, you must correctly complete two copies of the three forms, all bearing original signatures (you may copy the forms themselves so long as the signatures are original). Deliver them to the Corporations Directorate at the address listed under Contacts at the back of this Guide. The Corporations Directorate will keep one set of documents on file and return the other set to you with your certificate of incorporation. It will also assign your company

- 2.1 Choose a Name
- 2.2 Locate Your Registered Office
- 2.3 Describe Your Shares
- 2.4 Set Out Restrictions on Share Transfer
- 2.5 Choose Your Directors
- 2.6 Set Any Restrictions on Activities
- 2.7 Other Provisions: Private Company Restrictions/Other Clauses
- 2.8 Sign Your Articles of Incorporation
- 2.9 Remit the Filing Fee

a corporation number, which will appear on the certificate of incorporation. Your business is incorporated as of the date of your certificate of incorporation.

Free information kits on the incorporation process, which include blank copies of the required forms, are available from the Corporations Directorate through its Flashfax service, electronically through its Internet address or in paper copy from its head office (see Contacts at the back of this Guide).

To better assist you in completing these forms, the following information is presented in the same sequence as the various items appear in Forms 1, 3 and 6.

2.1 Choose a Name

(Form 1, Item 1)

Every corporation needs a name. In order to protect the public and avoid confusion, this name must be distinct from the names of all other corporations. All Canadian jurisdictions

regulate corporate names to ensure that the public is not misled by confusingly similar corporate names. The degree of scrutiny differs from one jurisdiction to another. The Corporations Directorate applies the most rigorous of standards for name granting in Canada.

The Corporations Directorate has prepared a brochure Choosing a Name and the Name-granting Guidelines, reference documents containing greater detail to help you choose a name for your corporation (see Contacts at the back of this Guide).

What's in a Name?

A corporate name generally contains three elements:

- a distinctive element (perhaps a surname or other unique term)
- a descriptive element (e.g. Manufacturing, Consulting, Trading)
- a mandatory legal element (e.g. Corp., Inc., Ltd.).

Name Request

In order to see if your name of choice is available for registration under the CBCA for your exclusive use anywhere in Canada, you must obtain a Canada-biased name search called a Newly Upgraded Automated Name Search (NUANS) report. You will have to ask a search house to provide you with this report, which on average costs about \$75.

A search house is an independent, private sector business that can verify the availability of your corporate name choice. See the Yellow Pages of your telephone directory under "Searchers of Records."

Is the Name Acceptable?

You or your search house will then submit the results of the NUANS search, along with your articles of incorporation, to the Corporations Directorate for review to determine if the name requested is available. Various tests are used, as explained in detail in the *Name-granting Guidelines*. Some of these tests are described below:

- Does the proposed name contain any words or phrases that are prohibited? Examples are "Parliament Hill" "RCMP" "Cooperative" "Air Canada" "United Nations"
- Is the proposed name obscene?
- Is the proposed name too general?

 Is it only a geographical name such as

 North West Inc., or only an individual's

 name such as Joe Smith Inc.?
- Is the proposed name so similar to the name of another corporation that both names appear to refer to the same business?
- Does the proposed corporation have a foreign affiliate with a similar name? If so, it may be necessary to provide written consent of the foreign affiliate and add an element to your proposed name to distinguish it, such as ABBA Consulting Canada Inc.

If Your Name Is Refused

Clients at times have been surprised by a refusal to grant a name, particularly if the NUANS report appears to indicate that there are no similar names already in existence. The Corporations Directorate sometimes must reject a proposed corporate name simply because it has insufficient background information on which to base a name-granting

decision. If the name you have chosen is rejected, your articles of incorporation will be returned to you, along with a request for you to explain the name more fully. To help clients propose acceptable company names, the Corporations Directorate has developed a Corporate Name Information Form. The additional information you provide in this form when requested to do so is often enough to persuade the Corporations Directorate of the uniqueness of your chosen name. If not, you will then have to choose an alternate name and obtain a new NUANS report, at additional expense.

Pre-approval of Name

If you are uncertain about the availability of the name you have chosen, you may send along your NUANS report to the Corporations Directorate for a name decision letter in advance of filing your articles of incorporation (without paying the filing fee). If your name choice is accepted, the letter will reserve it for 90 days while you prepare the articles of incorporation. If the name choice is not accepted, you will be spared the effort and expense of compiling and submitting the articles of incorporation fruitlessly.

Number Name

It is not always necessary to order and file a NUANS report. You may instead request the Corporations Directorate to assign a number for your corporation (e.g. 1234567 Canada Ltd.) at the time your articles of incorporation are processed. Many SMEs and holding companies choose this option when a corporate name is not important, thus ensuring faster processing and saving the expense of ordering a NUANS report.

Another possibility is to apply for a number name now and later submit a NUANS report along with articles of amendment for a change in name, together with the appropriate fee. Some of our clients choose this option when they want to be incorporated quickly, and realize there may be a delay in finding a suitable name.

Forms 3 and 6

Restate your name request in Form 3, item 1, and Form 6, item 1. If the Corporations Directorate approves your name choice, it will assign a corporation number to be inserted in item 2 on both forms. For now, you will leave item 2 blank.

(CBCA sections 10-12; CBCA Regulations 12-28)

2.2

Locate Your Registered Office

(*Forms 1 and 3*)

A CBCA company must have a registered office within Canada. The purpose of the registered office is to establish a location where official forms and notices can be delivered to the company. A post office box may not be used as a registered office address.

Form 1, Item 2

Name the place in Canada where the registered office is to be located. Do not set out a specific civic address in Form 1. It is a good idea to set out a fairly broad description of this place. For example, it could be Metropolitan Toronto instead of a more precise vicinity, say, the City of Oakville. Then, if your company changes addresses within the broader location, you can submit a Form 3 indicating only the change of address, for

which no filing fee is required. (If you file articles of amendment later to indicate a change in the broad location, there will be a filing fee.) Note, however, that too broad a description, such as "in Canada" or "in the province of British Columbia" will lead to a rejection of your articles of incorporation.

Form 3, Items 3, 4 and 5

Copy the location information from Form 1, item 2, to Form 3, item 3.

Provide the civic address of your registered office in Form 3, item 4. This address must be situated within the metropolitan area noted in the previous item.

Since this is your first company address, simply note "not applicable" or "n/a" in items 5 and 6 of Form 3, which are to be filled in when you change your registered office address.

(CBCA sections 19, 173; CBCA Regulations — Forms 1 and 3)

2.3 Describe Your Shares

(Form 1, Item 3)

An incorporated business can issue shares, which represent ownership interest in the corporation and give the holder a say in how the company is being run through the rights attached to the shares. You must specify in your articles of incorporation how many classes of shares and the maximum number (usually unlimited) for each class your company is authorized to issue. Unless you otherwise specify here, one share entitles the holder to vote at shareholders' meetings.

Shares are property, much like a car or house. The shares and the rights that go with them (you may often hear the phrase "rights that are attached to the shares") can be transferred (sold), provided that the transfer is made in accordance with any conditions or restrictions that apply to the particular shares, discussed further below.

Under the CBCA any "person" may hold shares in any company. In addition to an individual, the definition of "person" includes legal entities that are not individuals, such as trusts, mutual funds and other corporations.

Classes of Shares

Shares in general have three inherent rights:

- the right to vote
- the right to receive dividends (if any have been declared by the board of directors)
- the right to receive the property of the corporation remaining after its dissolution.

The CBCA permits a company to distribute these three rights among more than one class (type) of shares. They can be distributed in any combination, so long as all three rights are being assigned. In other words, looking at all of the share classes together, each of these three fundamental rights is assigned to at least one class but not necessarily to all.

Annexes A and B illustrate how different classes of shares can be named and described in the articles of incorporation.

There is no limit on the number of classes of shares you set out in the articles of incorporation. Classes may be assigned names such

CHAPTER TWO & SUBMITTING ARTICLES OF INCORPORATION

as preferred or common, or they may simply be alphabetized such as Class A, Class B, etc. Articles of incorporation with more than one class of shares often provide for unlimited common and preferred shares, as shown in the sample in Annex B. The common shares have the right to vote, the right to receive dividends behind the preferred shareholders, and the right to share in the property upon dissolution. The preferred shares have no voting rights but are given the right to receive dividends and to share in the property on dissolution ahead of the common shares. If there is no difference between the shares (i.e. only one class is described in the articles), they are usually referred to as common shares.

These differences in rights can be useful if you have investors with different objectives. Often voting shares are issued to the person(s) actually running the company (control shares), while special or preferred shares may be issued to partners or investors who are not involved in running the business but who have invested money in the company with the expectation of profit and income (investment shares). Thus, the common shareholder (having votes) runs the company (with the power to elect directors, approve all major activities, etc.) but may be entitled to dividends only after the preferred shareholder (the investor) is paid dividends.

(CBCA sections 6, 24, 26, 42, 43, 140; CBCA Regulations — Form 1) In most new corporations, it is probably not necessary to create different classes of shares on incorporation. If the company is a success and it is determined later that a more complex share structure is needed, professional advice should be sought to make sure that the best structure has been chosen and that the changes to your articles (called "articles of amendment") are properly prepared.

2.4 Set Out Restrictions on Share Transfer

(Form 1, Item 4)

When you are incorporating your company, you must decide whether or not to place restrictions on the transfer of your company's shares. Restrictions on the transfer of shares permit the shareholders and directors to control who holds shares in your company, because they limit the ability of shareholders to resell their shares. But the main reason to place these in your articles is to ensure that your company is a private company and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial securities law.

Restrictions on share transfer are one of three restrictions required for a company to be a private company. The remaining two are discussed below in Section 2.7 — *Private Company Restrictions*.

The most common share transfer restriction provides that shares cannot be transferred by a shareholder without the prior consent, by way of resolution, of the board of directors or of a majority of the shareholders (see Annexes A and B — *Schedule I*).

You should note that you have to make reference to these restrictions on the share certificates issued to shareholders in your company.

(CBCA sections 6, 49)

2.5 Choose Your Directors (Forms 1 and 6)

Form 1. Item 5

Set out the number of directors of the corporation. We recommend you specify a minimum and maximum number of directors, as shown in Annexes A and B, as a range provides more flexibility than a fixed number and may avoid the expense of having to submit articles of amendment should you decide later to change the fixed number.

Form 6, Items 3, 4 and 5

You must let the public and the Director appointed under the CBCA know the identity and residential addresses of the directors of the company. The Corporations Directorate will review your Form 6 to ensure that your company has one or more directors and that more than 50 percent of the directors are ordinarily resident in Canada. The number of directors listed in Form 6, item 3, must be within the range indicated in Form 1, item 5.

Since you are forming a new corporation, which has no previous directors, item 4 is not applicable (insert "n/a"). Then restate the names and addresses of the current directors in item 5.

(CBCA sections 105, 106; CBCA Regulations — Form 6)

2.6 Set Any Restrictions on Activities

(Form 1, Item 6)

Set out the restrictions, if any, on the company's business activities. Most companies do not provide any restriction and simply write "none" in the space provided.

2.7 Other Provisions: Private Company Restrictions/ Other Clauses

(Form 1, Item 7)

In addition to the restrictions on share transfers noted in Form 1, item 4, many companies adopt the two remaining "private company restrictions." They are inserted in the articles of incorporation to ensure that your company is a private company, and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial securities law.

CHAPTER TWO SUBMITTING ARTICLES OF INCORPORATION

Most small businesses are private companies, and virtually all start out that way. Therefore, private company restrictions should appear in the original articles of incorporation of almost every small business.

To be a private company, you must restrict the number of shareholders in your company to 50 or fewer (not including employees). This is done by adding a clause to this effect in your articles of incorporation (see Annexes A and B — *Schedule II*).

To be a private company, you cannot offer shares to the public. You must add a clause to this effect also in your articles of incorporation (see Annexes A and B — *Schedule II*).

Note that although share transfer restrictions are set out in a separate item in your articles of incorporation, all three types of restrictions must appear for your company to qualify as a private company.

If you later decide to offer shares publicly, these restrictions will have to be removed by submitting articles of amendment and paying the appropriate filing fee. However, you will have the comfort of knowing that all previous share issuances were valid, since there was no need to comply with registration and prospectus requirements under securities law.

2.8 Sign Your Articles of Incorporation

(Forms 1, 3 and 6)

Articles of incorporation are signed by the incorporator(s), who is (are) competent, at least 18 years of age and not bankrupt. Incorporators may — but need not — be directors or shareholders of the company after it is organized.

In addition to signature(s), Form 1 requires the names and addresses of all incorporators. Forms 3 and 6 require only one signature, along with the date and position of the informant. All three forms must be submitted to the Corporations Directorate and each form must bear original signatures, unless submitted electronically, in which case the paper copy, manually signed, is to be maintained in the records of the corporation.

(CBCA sections 5-9)

2.9 Remit the Filing Fee

The filing fee may be paid by cash, MasterCard, Visa or cheque made payable to the Receiver General for Canada in the amount of the applicable filing fee (\$500 in the fall of 1997).

(CBCA Regulations — Schedule II)

3 Organizing Your Company

Your newly formed corporation should hold its first meeting of directors (called an organizational meeting) shortly after incorporation. The orders of business of an organizational meeting are usually to appoint officers, issue shares, make by-laws, appoint an auditor until the first meeting of shareholders, and make banking arrangements.

(CBCA section 104)

The CBCA does not specifically require an organizational meeting of shareholders. Rather, the statute requires only that the first annual meeting of shareholders be called within 18 months following incorporation.

In practice, many corporations hold a meeting of shareholders soon after incorporation, often immediately following the directors' organizational meeting. In such a case, shareholders will elect directors, confirm the corporation's by-laws and (often) waive the audit requirement and name the corporation's accountant. Rather than hold an actual meeting, many small companies conduct this initial business through written resolution instead. If so, the resolution must be signed by all of the voting shareholders of the company.

(CBCA sections 133, 142)

Annex E provides sample organizational resolutions that you can modify to suit the purposes of your own company.

3.1 Elect Directors

3.2 Appoint Officers

3.3 Appoint Auditors

3.4 Issue Shares

3.5 Make By-laws

3.1 Elect Directors

The first director(s) of the corporation is (are) named in Form 6 — *Notice of Directors*, which is filed with your articles of incorporation. These directors hold office from the date the certificate of incorporation is issued by the Corporations Directorate until the first meeting of shareholders, at which time the shareholders will elect directors to replace the first directors.

The people elected to the board of directors at the first directors' and shareholders' meeting may be the same people listed in Form 6, which was submitted with your articles of incorporation. If new individuals are elected to the board, your company must file a new Form 6 indicating the change of directors within 15 days following that election.

The company's directors are responsible for the overall supervision of the affairs of the corporation. They approve the company's financial statements; make, amend and repeal by-laws; authorize the issuance of shares; and call and conduct directors' and shareholders' meetings. The directors in turn usually appoint

CHAPTER THREE > ORGANIZING YOUR COMPANY

officers, who are responsible for the dayto-day operations. In a small, private corporation, one individual may act as sole shareholder, director and officer.

For certain company activities, shareholders must give their approval. For others, the directors (and officers, if the directors have authorized them) can make important decisions in a corporation without shareholder approval. In this sense, shareholders rely on directors and officers (together referred to as the "management") of their corporation to operate the company's day-to-day activities in a way that protects the shareholders' investment.

At the first meeting of shareholders and at each following annual general meeting at which an election is required (depending on the length or term of office the shareholders choose), shareholders elect directors. These directors will hold office for a term expiring no later than the close of the third annual general meeting of shareholders after such election. If no term is stated, the directors hold office until the next annual general meeting of shareholders. Once a director's term has expired, subject to what you have put in your company's by-laws, that individual can be re-elected as a director.

(CBCA sections 2, 102, 103, 106, 113)

Who Can Be a Director?

A director must be:

- at least 18 years old
- of sound mind (mentally competent)
- an individual (a corporation cannot be a director)
- · not an undischarged bankrupt.

In addition, a majority of the directors of a corporation must be individuals who are ordinarily resident in Canada. You should keep this in mind when electing directors, and also when filling vacancies. There is no requirement for a director to hold shares in the corporation, nor is there any restriction against their holding shares.

(CBCA sections 2, 105)

Fill Your Board of Directors

Your company must have at least one director. In your articles of incorporation (Form 1, item 5), you will have specified the number of directors your company is to have, either a fixed number or a range (say, from one to ten).

It sometimes happens that because of death, resignation or disqualification of a director or directors, there is a vacancy on the board of directors. If this occurs, provided that the number of directors elected constitutes a quorum (the minimum number of directors required to be present at a meeting, as specified in your company's by-laws), the board may exercise all powers of directors. Also, the directors remaining on the board may fill the vacancy or vacancies on the board.

The directors may also wish to increase their number or change the minimum number of directors. To do so, they will need approval of the shareholders to amend the articles of incorporation. Alternatively, they may appoint additional directors between annual general meetings, if such provision is made in item 7 of the articles of incorporation (see Annexes A and B — *Schedule II*).

Shareholders may decide that, for any variety of reasons, they want to remove a director they had previously elected. This is a simple procedure: it generally requires the approval of a majority of the votes represented at a meeting of shareholders called for the purpose of removing the director.

(CBCA sections 2, 106, 108, 109, 111)

If the composition of your board of directors changes, either through the filling of a vacancy or the removal of a director, your company must file a Notice of Change of Directors (Form 6) within 15 days following that change.

3.2 Appoint Officers

Once elected, one of the first activities undertaken by directors is the appointment of officers of the corporation. The officers designated can be President, Secretary or any other office you wish. These officers take responsibility for the day-to-day operations of the company.

The CBCA does not impose any restrictions on who can be an officer of your corporation, other than to require officers to be individuals. Officers may or may not be shareholders, and they may or may not also be directors of the corporation. There is no reason why the same individual cannot act as a director, officer and shareholder simultaneously. In fact, for many small businesses, one individual is the sole director, officer and shareholder.

(CBCA sections 2, 121)

3.3 Appoint Auditors

At the organizational meeting, directors can also appoint the company's first auditor(s), who will hold office until the first shareholders' meeting; thereafter the shareholders' appoint the auditors. Once the shareholders meet, however, the shareholders may choose to waive the audit requirement, provided that all voting and non-voting shareholders agree. Most companies will retain the services of an accountant to prepare the financial statements.

A company must keep up-to-date financial statements. Copies do not have to be filed with the Director under the CBCA, unless the corporation distributes its shares to the public (that is, it is listed on a securities exchange).

(CBCA sections 104, 160–163; CBCA Regulation 49)

All financial statements must be prepared in accordance with Generally Accepted Accounting Principles, as set out in the *Canadian Institute of Chartered Accountants CICA Handbook* and modified from time to time.

Copies of your financial statements must be given to the shareholders at least 21 days before your company's annual general meeting each year.

(CBCA sections 155, 157, 158, 159; CBCA Regulations 44, 46, 47)

3.4 Issue Shares

One of the first corporate activities undertaken by a company following incorporation is the issuance of shares. Persons become shareholders when a company "issues" shares in that person's name, or records a transfer of previously owned shares to a person. Generally, unless you provide differently in your articles of incorporation or by-laws, shares can be issued whenever, to whomever and for whatever value the board of directors of your company decides.

Issuing shares is not complicated. Directors can decide to issue shares by majority vote. The directors' decision (called a resolution) to issue the shares must be recorded in the company's minute books. A share cannot be issued until full consideration (payment) for that share is actually received by the corporation. This consideration is generally in the form of money, although it can also be in the nature of services or property given to the company. The consideration paid for the shares, in whatever form has been agreed to by the directors, is the individual's investment in the corporation.

Once a share has been issued, the shareholder is entitled to a share certificate. This certificate must state the corporation's name, as set out in the articles of incorporation. It also must set out the name of the shareholder and the number and class of shares it represents. Finally, if your articles of incorporation contain restrictions on the transfer of shares

in your company (as do most small companies; see Section 2.7 — *Private Company Restrictions*), there must a reference to these restrictions on the share certificate itself.

Shares are issued without nominal or share value. No monetary value is set out on the certificate

(CBCA sections 6, 25, 26, 49, 50)

3.5 Make By-laws

You may also want to make some by-laws for the internal operations of your company. By-laws are basically an agreement between the company and its shareholders, setting out the rules by which the corporation will function. For example, you may wish your company to have some rules that are not dealt with in the CBCA. For some rules, even if they are covered in the CBCA, you may wish to modify them.

A simple model by-law is presented in Annex F. You may modify it to suit the needs of your company.

For instance, the CBCA provides that the location of shareholders' meetings can be set by the directors, unless the by-laws set out a different rule. One possibility is that shareholders' meetings will always be held at the registered office of the corporation.

By-laws can also modify other powers given to the directors of the company under the CBCA. For example, instead of the directors having the sole authority to issue shares, the by-laws could make all share issuances subject to shareholder approval.

By-laws can also deal with matters such as the appointment, qualification and duties of the officers of the company. Details could spell out who sets the salaries for directors and officers, the procedure for calling directors' and shareholders' meetings, and what minimum number of people have to be present at meetings to establish quorum for business to be legally transacted. Other topics often found in by-laws include the date of the corporation's financial year end, banking arrangements, indemnification provisions and salary or other remuneration of directors and officers. Some companies also adopt a particular set of rules of conduct for directors' and shareholders' meetings, such as Robert's Rules of Order.

Unless your by-laws provide differently, the directors have the power to make, repeal and amend by-laws. All by-laws and by-law changes (including repeal) require share-holder approval. This approval must be received at the first regular meeting of the shareholders after the by-law has been passed by the directors. Even though a by-law does not receive approval until that meeting, the effective date of the by-law is the date of original passing by the directors. For a company with only one shareholder/director/ officer, meetings are not necessary, and these approvals may be done through written resolution only (see Annex E).

(CBCA sections 25, 103, 104, 114, 121, 125, 132, 139-141)

4 Complying with the CBCA

Once your company is set up and properly organized, there are a few simple steps to take each year to ensure that your company stays in compliance with the CBCA.

This section deals only with filings under the CBCA. You will also have to make other filings on behalf of your corporation, for example, to Revenue Canada. In addition, companies must comply with registration requirements in the province(s) in which they carry on business activities. These registrations often are required within a few weeks after incorporation. You should communicate with the appropriate provincial/territorial authority in this regard.

4.1 Corporate Records

Your company is required to keep certain corporate records at the registered office of the corporation or elsewhere in Canada as set out in your by-laws. These records may be examined by the shareholders and creditors, such as suppliers, of the company on request. These records are:

- articles, by-laws and a copy of any unanimous shareholder agreements
- minutes of meetings and resolutions of shareholders
- copies of Notices of Directors (Form 6) that have been filed
- a share register showing the names and addresses of all shareholders and details of shares held.

(CBCA sections 20-22, 50)

- 4.1 Corporate Records
- 4.2 Duties and Liabilities of Management
- 4.3 Meetings of Your Board of Directors
- 4.4 Annual General Meetings
 - of Shareholders
- 4.5 Common Filing Requirements

Although you are not required to maintain a minute book under the CBCA, you will often hear this term. Corporate records are commonly maintained in a single book referred to as the minute book of the corporation. These are available at legal stationers and search houses.

4.2 Duties and Liabilities of Management

Because of the scope of the authority that is given to directors and officers, the law imposes a wide range of duties and liabilities on the managers of a corporation. These duties arise under the CBCA, other federal and provincial statutes and, historically, through court decisions. In general, these duties reflect the position of trust that management holds in relation to the company and its owners, the shareholders.

Among the most important of the duties set out in the CBCA is the duty of care. This duty requires directors and officers to act honestly, in good faith and in the best interests of the company. They must exercise at least the level of care and diligence that a reasonable

person would exercise in comparable circumstances. This duty makes it clear that directors and officers must act in the interests of the company, as opposed to their own personal interest.

Directors and officers may not avoid liability because they did not know what the company was doing. In other words, there is a positive obligation on each director and officer to be informed of what is going on within the scope of his or her authority, and to make sure that what is being done is legal and in the best interests of the company. In doing so, the CBCA permits directors to rely on the reports of experts, such as financial statements or legal opinions, in certain circumstances.

The CBCA also seeks to avoid conflicts between the interests of the company and those of the directors or officers. For instance, directors and officers are required to disclose in writing any personal interest they may have in a contract with the corporation. Failure to disclose could be grounds for a court to set aside the contract upon application by the company or a shareholder. The CBCA also imposes certain specific liabilities; for instance, directors are personally liable for up to six months' worth of unpaid wages to employees of the company and for any unpaid source deductions.

Because of the extent of liability imposed on the directors and officers of your company, you may want to consider some means of protection. For instance, your corporation may purchase insurance for directors and officers against any liability for which they become responsible when acting as a director or officer. The company may also indemnify (i.e. compensate for loss; promise to pay for any costs incurred by a person in certain circumstances) its directors and officers for costs they have to pay, except where the director or officer has failed to act honestly and in the company's best interests.

(CBCA sections 118-124)

Directors must at all times remain free to assess what is in the best interests of the company and to act on this assessment. For this reason, directors cannot prepare an agreement among themselves in advance on how they will act in a given future situation.

However, all of the shareholders of the company may enter into a unanimous shareholder agreement that transfers some or all of the directors' responsibilities and powers to the shareholders. If power is transferred away from a director, that director cannot be responsible for not exercising that power. (Unanimous shareholder agreements are discussed in more detail in Section 5.5 of this Guide.)

4.3 Meetings of Your Board of Directors

Since directors are responsible for overseeing the operations of the company, there are many occasions when a directors' meeting may be necessary. After the initial organizational meeting, boards of directors of most companies meet on a regular basis, such as monthly, quarterly or even annually, depending on the needs of your company, to oversee the operations of the business. Directors may also need to meet to conduct special business. For example, directors'

CHAPTER FOUR > COMPLYING WITH THE CBCA

meetings are required to replace retired directors or officers, make by-laws, issue shares or recommend a significant change in the way the corporation conducts its business. Directors must also meet to call the annual general meeting of shareholders and to approve financial statements. Immediately after the annual general meeting of shareholders, the directors just elected meet to appoint officers for the coming year.

Meetings of the board can be held whenever and wherever the board wants, unless the by-laws or articles of your company say differently. A quorum of the directors must be present and a majority of them must be resident in Canada.

The CBCA permits directors to conduct business by using signed resolutions instead of holding actual meetings. This can be very useful in a small business having only a few directors (or even one). In addition, your directors may participate in a meeting by way of telephone or other electronic means, so long as all participants in the meeting can communicate fully.

(CBCA sections 103, 104, 110, 114, 117)

4.4 Annual General Meetings of Shareholders

Annual general meetings are meetings of the shareholders of the corporation, which must be held each year during the company's existence. The directors of a company must call the first annual general meeting within 18 months of its date of incorporation, and some corporations hold this meeting following the organizational meeting of directors. After

the first meeting, the corporation must hold a general meeting within 15 months of its previous annual general meeting.

At the annual general meeting of shareholders, provided a quorum is present, the shareholders appoint auditors, elect directors, review financial statements and raise any other business they wish to address.

Annex G provides a sample notice of an annual general meeting to be held, together with a sample of the minutes of such a meeting. The agenda and the proceedings can be modified from this sample according to the circumstances for your own company to ensure that all of the required business is conducted.

The annual general meeting should be held at the place in Canada where the registered office is situated or as specified in your company's by-laws or such other place as the directors determine. Your company must send notice of the time and place of the meeting to shareholders entitled to vote not more than 50 and not less than 21 days before the date of the meeting. For example, if the meeting is to take place on May 20, the notice should not be sent sooner than April 1 nor later than April 30. Unless the articles of incorporation otherwise provide, each share of the company entitles the holder of the share to one vote.

Section 136 of the CBCA permits shareholders to waive notice of meetings (attendance is generally deemed to be waiver of notice). This is useful for companies having only one or two shareholders. Furthermore, if all of the shareholders of a corporation entitled to vote sign a written resolution dealing with items usually covered at the meeting, no meeting is necessary.

A shareholder entitled to vote has the right to appoint a proxy holder to attend and vote at any shareholders' meeting on behalf of that shareholder. For a company having 15 or more shareholders, special rules apply. For example, management would have to send a form of proxy and management proxy circular along with notice of a meeting, but these rules are beyond the scope of this Guide (see Section 5.3 for more on shareholders' meetings in private companies).

(CBCA sections 132, 133, 135, 136, 139, 140; CBCA Regulations 32–36)

4.5 Common Filing Requirements

The table on the following page illustrates the CBCA filings you will, or may, be required to make. Note that the list does not address many possible changes to your articles nor requirements specific to public companies.

Annual Return

Every corporation must submit an annual return to the Corporations Directorate using Form 22 — *Annual Return*. See Annex H for a sample form correctly filled out.

The annual return contains information such as:

- the corporation's taxation year end date
- changes in directors or registered office address
- whether the corporation has 15 or more shareholders.

Annual returns must be filed within 6 months of the taxation year end of your company.

(CBCA section 263;

CBCA Regulations 4(3), Form 22)

Industry Canada and Revenue Canada permit you to file your annual return information together with your corporate income tax return using Schedule 80 to the T2 Corporate Income Tax Return. Since January 1, 1999, the date for filing your annual return has changed to within six months of the financial year end of your corporation, the same date by which your corporate income tax return must be filed.

Your company must submit a cheque payable to the Receiver General for Canada in the amount of the prescribed annual fee (currently \$50) with its annual return.

(CBCA section 263; CBCA Regulations — Schedule II)

A complete list of current fees is available from the Corporations Directorate — see Contacts at the back of this Guide

Certificate of Compliance

You may be required at some point in time to provide to a supplier, banker, etc. a certificate of compliance for your company. A certificate of compliance is issued by the Director under the CBCA at the request of the company or another interested party. It states that the company in question has paid all fees and has filed specific forms required under the CBCA.

The need for a certificate of compliance usually arises in the context of a financing transaction such as a loan. Another example is when someone is making a substantial equity investment and wants assurance that your corporation has not been dissolved.

CHAPTER FOUR & COMPLYING WITH THE CBCA

	Common Filing Requirem	ents	
Event or Occurrence	Action Required	Form	CBCA Reference
The company changes the civic address of its registered office within the place in Canada where its head office is located	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 3 (see Annex C)	s. 19
The company changes the civic address of its registered office outside the place in Canada where its head office is located	Submit articles of amendment and notify the Director within 15 days after the change (fee \$200)	Forms 3 and 4 (articles of amendment)	ss. 19 and 173(1)(b)
The company changes directors, within the minimum and maximum numbers provided in Form 1	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Annex D)	ss. 106, 113
The company changes directors and changes the minimum and/or maximum numbers provided in Form 1	Submit articles of amendment and notify the Director within 15 days after the change (fee \$200)	Forms 6 and 4 (articles of amendment)	ss. 106, 112, 113, 173(1)(m)
There is a change in the names or residential addresses of the company's directors	Notify the Director within 15 days after the change (no fee required)	Form 6 (see Annex D)	s. 113
Annually	File an annual return with the Director within 60 days of the anniversary date of incorporation (fee \$50)	Form 22 (see Annex H)	s. 263; Regulations Schedule II

Note: Fees may be paid by cash, cheque to Receiver General for Canada or by credit card.

Administrative Dissolution and Revival

It is important to comply with the filing requirements set out in this section, especially the annual return.

In the case of repeated or persistent non-compliance with the Act or non-payment of fees, the Director under the CBCA could dissolve your corporation, which would end its existence. This may happen, for example, if your company fails to file its annual return (Form 22 — see Annex H for a sample).

Notices from the Corporations Directorate pertaining to non-compliance under the CBCA are sent to the address on record. If a response is not received, perhaps because the notices cannot be delivered due to the corporation's failure to submit the correct address in Form 3, the Director under the CBCA could proceed with a dissolution, even though the corporation does not want to be dissolved.

The Corporations Directorate will make several attempts to have the company correct any filing deficiencies by sending out notices of non-compliance (provided, of course, that it has the correct mailing address on file). If the company still does not comply (for example, by filing the outstanding form(s) after notice has been sent), the Director under the CBCA will issue a certificate of dissolution, and the corporation will cease to exist.

For a corporation to become re-activated, it will have to go through a procedure known as revival. It will have to remedy the non-compliance, file articles of revival and remit the prescribed fee for revival.

(CBCA sections 209, 212-214)

An information kit detailing all the required steps for a revival is available from the Corporations Directorate (see Contacts at the back of this Guide).

There are additional circumstances under which the Director under the CBCA has the power to dissolve corporations. Alternatively, the Director under the CBCA may seek compliance through civil court action for specific acts of non-compliance.

5 Shareholders

A person who owns shares in a corporation is called a shareholder. Generally speaking and unless the articles of incorporation provide otherwise (Form 1, item 3), each share in the corporation entitles the holder to one vote. The larger the number of shares held, the larger the number of votes a shareholder generally can exercise.

An active company must have at least one class of shares and at least one shareholder. Shareholders have limited liability in the corporation, and generally are not liable for the company's debts. On the other hand, shareholders generally do not actively run the corporation.

In many small businesses, the shareholders, directors and officers are the same people. A shareholder who is also a director or officer does assume certain liabilities, as described in Section 4.2 of this Guide.

The CBCA provides shareholders with access to certain information about the corporation. For example, shareholders are entitled to inspect (and copy) the corporate records, and are entitled to receive the company's financial statements at least 21 days before each annual general meeting. Shareholders elect directors, approve by-laws and by-law changes, appoint the auditor of the corporation (or waive the audit requirement) and approve certain major or fundamental changes to the corporation, its structure and business. These changes include matters such as a sale of all or substantially all of

5.1 Becoming and Ceasing to Be a Shareholder

5.2 Shareholder Resolutions

5.3 Shareholders' Meetings

5.4 Shareholder Agreements

the assets of the business, a change of name, and articles of amendment altering share rights or creating new classes of shares.

(CBCA sections 21,106, 155, 159, 162, 163, 173)

5.1 Becoming and Ceasing to Be a Shareholder

A person becomes a shareholder by acquiring shares from the company or an existing shareholder. The basic ways of becoming a shareholder are:

- purchasing shares that have not previously been issued by the company (referred to as "buying shares from treasury"), either on incorporation or later
- buying shares in the company from an existing shareholder (in accordance with the terms set out in your articles) and having the company register the transfer.

A person ceases to be a shareholder once his or her shares are sold either to a third party or back to the company (all in accordance with the articles of your corporation), or when the company is dissolved.

(CBCA sections 25, 48, 49, 76, 213)

5.2 Shareholder Resolutions

Broadly speaking, shareholders exercise most of their influence over how the corporation is run at shareholders' meetings through resolutions.

Note that the term "resolution" can take on different meanings depending on the context:

- a written record of decisions taken in lieu of an organizational meeting (see Annex E)
- a decision made at an annual or special meeting based on the required number of votes in favour by shareholders entitled to vote (see Annex G)
- a document signed by all shareholders in lieu of a meeting of shareholders.

There are two main types of shareholder resolutions:

- Ordinary resolutions: require a simple majority (50 percent plus 1) of votes cast by shareholders. Examples are decisions shareholders take on a regular basis, such as electing directors and appointing auditors.
- Special resolutions: must have the approval of two thirds of the votes cast. Examples are unusual activities such as changing the corporation name, selling all or substantially all the company's assets or changing the primary line of business (i.e. important questions that affect the company as a whole).

(CBCA sections 2, 142)

5.3 Shareholders' Meetings

Shareholders usually exercise their influence over how the corporation is run at shareholders' meetings (see also Section 4.4). The CBCA and your company's articles and bylaws set out rules about meetings, including minimum notice periods and who can attend and vote. In order for the decisions (resolutions) taken at the meeting to be binding, these detailed requirements must be met. Specific additional rules apply for companies with 15 or more shareholders, which are not dealt with in this Guide.

In a small business, the same one or two people may be acting as directors, officers and shareholders, and meetings will not necessarily occur. One- or two-person companies often prefer to use written resolutions rather than hold a formal meeting. If every share-holder signs a written record setting out the terms of the necessary resolutions, then a shareholders' meeting need not be held.

A shareholder's ability to attend and vote at a meeting depends on the rights attached to the class of shares that person is holding. As a general rule, shareholders entitled to vote at a meeting are entitled to attend the meeting. (While the CBCA provides holders of non-voting shares the right to attend certain meetings and vote on certain fundamental issues, a discussion of these issues is beyond the scope of this Guide.)

(CBCA sections 132-135, 140)

CHAPTER FIVE SHAREHOLDERS

Calling a Shareholders' Meeting

Directors have the duty to call meetings of voting shareholders and, in special circumstances, of all shareholders. Shareholders who own 5 percent of the issued voting shares of a company can require the directors to call a meeting of shareholders. Shareholders' meetings are normally called by the directors of the corporation. The board is required by the CBCA to call an annual general meeting within 15 months of the preceding one.

(CBCA sections 133, 143)

In practice, many companies tend to hold annual meetings around the same time each year, and usually within six months of the company's fiscal year end.

Directors must send out the notice of meetings to shareholders within the time frame set out in the CBCA or as modified by your by-laws. A shareholder can waive notice of a meeting. Attendance at the meeting is considered waiver of notice, unless the shareholder attends the meeting to complain about improper notice.

The notice for a special meeting (see next section) not only must state the time and place of the meeting, but also must provide the shareholders with enough information to know in advance what they will be asked to consider and vote on at the meeting.

(CBCA sections 2, 132-136)

Shareholders' Meeting Requirements

A quorum of shareholders must be present or represented at the meeting, or no business can be conducted that is binding on the company. A quorum is the minimum number of votes required to be represented at the meeting, which is a majority, unless your by-laws provide a lower or higher quorum.

(CBCA sections 139-141)

The company must keep a written record of the meeting. The record usually includes information such as where and when the meeting was held, who attended and the results of any voting. These records are commonly referred to as minutes and are kept in the corporation's minute book.

(CBCA sections 20, 21, 142)

If all shareholders sign a written resolution setting out the terms of their resolutions instead of holding a meeting, these also should be kept in your minute book.

Under the CBCA, there are two specific types of shareholders' meetings:

- Annual general meetings: Under the CBCA, your company must hold an annual general meeting within 18 months of its incorporation, and thereafter within 15 months of the previous annual general meeting. At an annual general meeting, the following four items must be on the agenda:
 - consideration of the financial statements
 - appointment of the auditor (unless all shareholders have agreed not to appoint an auditor)
 - election of directors
 - any other business matters that come up.

Although the term "any other business" is quite vague, directors cannot deliberately leave an item off the agenda (which would have the effect of preventing shareholders from preparing for the discussion) and then bring the matter up as "other business." Rather, this is the place on the agenda for shareholders to raise and discuss matters of concern to them.

• Special meetings: Meetings of the shareholders may also be called to deal with specific questions or issues, such as whether to approve a fundamental change (e.g. change of name) that the directors of the company are proposing. Generally, the directors will call a special meeting of the shareholders when they want to take a particular activity or deal with a special issue requiring shareholder approval, such as amendments to articles.

(CBCA section 133)

As a very general rule of thumb, ordinary resolutions are required at annual general meetings, and special resolutions are required at special meetings.

It is often convenient to combine special meetings with annual general meetings. Under the CBCA, this process is allowed, but notice of the meeting must clearly indicate that there will be special business to consider.

(CBCA sections 2, 132-136, 139, 140-142)

5.4 Shareholder Agreements

A shareholder agreement is an agreement entered into by some, and usually all, of the shareholders of a corporation. The agreement must be in writing, and must be signed by the shareholders who are a party to it. While shareholder agreements are specific to each company and its shareholders, most of these documents deal with the same basic issues.

The relationship among shareholders in a small company tends to be very much like a partnership, with each person having a say in the significant business decisions the company will be making. Obviously, a shareholder agreement is not necessary in a one-person corporation. However, you may consider entering into a shareholder agreement if you have more than one shareholder, or when you want to bring in other investors as your business grows.

Management of the Company and Relations among Shareholders

Under the CBCA, in the absence of a share-holder agreement, the board of directors has control over the management of the company. Because directors are elected by ordinary resolution of the shareholders, if one of them has more than 50 percent of the votes, that shareholder alone can decide who will sit on the board. In a small corporation, minority shareholders (those with a small stake in the company) may not feel adequately protected by a board of directors elected by a majority shareholder and may want to negotiate a shareholder agreement to more closely protect their investment in the company.

A very common shareholder agreement provision for a small company gives all the shareholders the right to sit on the board of directors, or nominate a representative for that purpose. Each shareholder agrees in the document to vote his or her shares in such a way that each one is represented on the board, thus ensuring all shareholders an equal measure of control.

CHAPTER FIVE SHAREHOLDERS

Shareholder agreements may also provide that certain significant decisions require a higher level of shareholder approval than is set out in the CBCA. For example, an agreement might provide that a decision to sell the business must be approved unanimously by all shareholders, whereas the CBCA requires only a special resolution (approval by two thirds of shareholders).

Shareholder agreements may set rules directing how the future obligations of the company will be shared or divided. Say each shareholder invested a minimal amount to get the business going, looking to bank loans or other credit for growth. The shareholders may agree that, when other means of raising funds are not available, each shareholder will contribute more funds to the company on a pro rata basis. This means simply that the extent of a shareholder's obligation to fund the corporation would be determined by the extent of that shareholder's ownership interest (the percentage of shares held) in the company. So, three equal partners starting a company (with equal shares held by each) might sign a shareholder agreement that each will be responsible to fund one third of any future obligations of the company through the purchase of more shares.

Other rules often found in shareholder agreements govern the future purchase of shares in a company when no funding is needed. In such a case, the shareholders could agree to maintain the same percentage of holdings among themselves. Three equal partners could agree that no shares in the corporation will be issued without the consent of all shareholders/directors. In the absence of such a provision, two shareholders/directors could issue shares by an ordinary or special

resolution (because they control two thirds of the votes) to themselves without including or requiring the permission of the third shareholder/director.

Restrictions or Prohibitions on Share Transfer

Restrictions on share transfer are used to enable shareholders to control who will become a shareholder in their company.

By placing such restrictions in a shareholder agreement instead of in your articles of incorporation, shareholders can remove or alter them without the company having to file articles of amendment. Note that these are separate from the restrictions placed in your articles of incorporation as part of the private company restrictions (see Section 2.4 above).

Of course, the most effective way to ensure ownership control is a provision prohibiting share transfers entirely, or for a certain period of time (such as five years). Because this is such an extreme measure, however, it is rarely seen.

Another provision is the right of first refusal, which basically states that any shareholder who wants to sell his or her shares must first offer those shares to the other shareholders of the company before selling them to an outside party.

Shareholder agreements may also set out rules for the transfer of shares when certain events occur, such as the death, resignation, dismissal, personal bankruptcy or divorce of a shareholder. The restrictions can include detailed plans governing when a shareholder can or must sell his or her shares, or what happens to those shares after the individual shareholder has left. The shareholder agreement, for example, may require that the

shares be transferred to the remaining share-holders or to the corporation, often at fair market value. These provisions are complex, and usually set out mechanisms for the transfer, including notice and how the transfer price will be funded. Operators of small businesses who enter into agreements with this sort of exit provision sometimes purchase life insurance to fund the payment obligations of the party who will be purchasing the shares.

Other shareholder agreement provisions may include non-competition clauses, confidentiality agreements, dispute resolution mechanisms and details respecting how the shareholder agreement itself is to be amended or terminated.

Shareholder agreements are voluntary. If you choose to have one, the shareholder agreement should reflect the particular needs of your company and its shareholders. While undoubtedly the best advice is to keep your agreement as simple as possible, we strongly suggest that you consult your professional advisors before signing any shareholder agreement.

Special Agreements

The CBCA also deals specifically with two particular types of shareholder agreement:

• Pooling agreements: The CBCA provides that shareholders may, in a written agreement between two or more shareholders, agree on how their respective shares will be voted on any particular matter. Shareholders could enter into an agreement solely for the purpose of determining, for instance, how they will vote their shares to elect directors. Shareholders may also decide to include a pooling provision in a larger shareholder agreement.

(CBCA subsection 146(1))

· Unanimous shareholder agreements: The CBCA also permits all of the shareholders of the company, in a written agreement, to transfer all or some of the powers of the directors to the shareholders. Where there is only one shareholder, that person may sign a written declaration that has the same effect as a unanimous shareholder agreement. The wording must be very precise: an agreement signed by all of the shareholders does not fit the definition of a unanimous shareholder agreement if it does not deal with the transfer of powers, and the responsibilities that go along with them, from the directors to the shareholders.

(CBCA subsection 146(2))

Frequently Asked Questions

Who can form a corporation?

One or more competent individuals who are 18 years of age or older and who are not a bankrupt may form a corporation under the *Canada Business Corporations Act* (CBCA). Similarly, one or more companies or "bodies corporate" may incorporate a company. These persons are called incorporators. An incorporator (individual or corporation) may form a corporation whose shareholders, officers and directors are other persons, or may serve as the sole director, officer and shareholder of the company. An incorporator is also responsible for organizational procedures, such as filing the articles of incorporation and designating the first directors.

A company can be incorporated under the laws of only one jurisdiction. You must decide whether to incorporate federally under the CBCA, or under the laws of a province or territory instead of the CBCA. Requirements vary, and you should contact the jurisdiction under which you wish to incorporate for precise details. This Guide contains information specific to the CBCA, the federal legislation governing incorporation.

What kinds of businesses can incorporate under the CBCA?

Almost any type of business may incorporate under the CBCA. However, banking, insurance, loan and trust companies as well as non-profit corporations are incorporated under different statutes.

There are no restrictions such as minimum company size on the businesses that may incorporate under the CBCA. While all provinces and territories have similar legislation for companies operating within their borders, only the CBCA is national in scope.

Many small businesses incorporating under the CBCA have the intention (either now or sometime in the future) of operating in more than one province. They choose to incorporate under the CBCA now in order to simplify their business relations later if they decide to expand operations or grow larger.

Should I incorporate?

This depends on your particular situation. The most common forms of business organization are the sole proprietorship, partnership and corporation. Each of these forms of business has its own advantages and disadvantages, and the most appropriate form for you as a small business owner will depend on your particular circumstances. Some of the benefits of incorporating are set out in Section 1.1 — Benefits of Incorporating. This Guide focusses on incorporation for small businesses under the CBCA.

Do I need to hire a lawyer to incorporate?

No. A lawyer may provide valuable advice, but is not a requirement for incorporation.

If I decide to incorporate, what next?

Federal corporations are formed when you file articles of incorporation with Industry Canada's Corporations Directorate, and a certificate of incorporation is issued. Fill out the blank forms accompanying this Guide and send them to the address listed in the Contacts section at the back of this Guide. Samples of correctly filled forms are included in the Annexes for your convenience. You may modify the samples to suit your own specific circumstances.

So long as the forms are filed properly and the appropriate fee is paid, the Director under the CBCA will issue a certificate of incorporation.

How long does it take to get incorporated?

The Corporations Directorate operates during normal business hours five days a week. We can usually issue your incorporation papers within five business days, when delivered to our office by post. Faster service is usually available when you deliver your documents by hand or electronically.

How much does it cost to incorporate?

The filing fee for articles of incorporation under the CBCA is \$500; see Annex I — Fees (amounts subject to change without notice). In addition, unless your company is going to request a numbered name, you will have to file a NUANS name search report (see Section 2.1 — Choose a Name), which may be obtained from an independent search house (the cost is approximately \$75 per search). Of course, if you obtain legal advice when completing your articles of incorporation, there will be professional fees in addition to your filing fee.

Do I have to get a corporate seal?

A corporation under the CBCA is not required to have a seal. If you wish to have a corporate seal for your corporation, you may purchase one from a legal stationery store or commercial supplier.

If I incorporate federally, do I have to register or file anything with the provinces?

Yes. Whether you incorporate federally or provincially, you will likely be required to register your business in any province or territory where you carry on business. Although Industry Canada is working with provincial and territorial officials to decrease this burden, each province and territory right now has individual requirements for registering corporations from outside its borders. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine which obligations may be placed on your corporation.

Where can I get more information about incorporating?

The Contacts lists at the back of this Guide contain mailing addresses, phone numbers and other contact information of knowledgeable corporate specialists in our offices who can respond to your specific requests, as well as of other federal government resources for small businesses.

Glossary of Terms

Annual Return: Form 22 under the CBCA (see Annex H). This form is not to be confused with annual financial statements or annual reports.

Articles of Incorporation: Form 1 under the CBCA (see Annexes A and B). To incorporate under the CBCA, you must correctly complete two copies of Form 1, together with two copies of Forms 3 and 6 (see Annexes C and D), all bearing original signatures, and deliver them to the Corporations Directorate at the address listed under Contacts at the back of this Guide. The Corporations Directorate will keep one copy on file and return the other copy to you with your certificate of incorporation. The articles, when filed, create your corporation, and set out important matters such as the number of directors and types of shares a corporation will have. This form (as are all forms referred to in this Guide) is available from the Corporations Directorate by automatic fax, Internet or mail (see Contacts at the back of this Guide).

By-laws: Basically, the agreement between the company and its shareholders setting out the internal rules by which the corporation will function. These often deal with matters such as meetings of directors and shareholders (see Annex F).

Corporations Directorate: The branch of Industry Canada that administers the CBCA, and the office with which all filings, such as articles of incorporation, are made.

Director: An individual elected by the share-holder(s) to supervise the management of a corporation. Together, all directors of a company are referred to as the "board of directors." All federal corporations are required to have one or more directors, a majority of whom must be ordinarily resident in Canada.

Director Appointed under the CBCA:

The individual appointed by the federal Minister of Industry under the provisions of the CBCA to independently administer the statute. This individual is referred to as the "Director under the CBCA."

Dissolution: The act of ending the existence of a corporation, under certain circumstances, by filing the required documents with the Corporations Directorate. Your company could also be dissolved by the Director appointed under the CBCA for failure to comply with the legislation (see "Administrative Dissolution and Revival" in Section 4.5 — Common Filing Requirements).

Dividend: The share of profit payable to shareholders on their shares.

Federal Incorporation: Incorporation under the CBCA rather than under a provincial or territorial statute

Incorporation: The act of establishing a corporation by filing the required documents.

Indemnity: Compensation for loss; a promise to pay for costs incurred by a person in certain circumstances.

Officer: An individual appointed by the director(s) of a corporation to manage the day-to-day business of a company, such as President, Vice President, Secretary, Treasurer, etc. The position of officer is distinct from that of director (see above), although one individual in a small corporation very often occupies both positions.

Private Company: In general, a company that does not sell its shares to the public (i.e. is not listed on a stock exchange). The transfer (sale) of shares in the company is restricted in some way, such as by the requirement that the directors or shareholders have to approve in advance any transfer of shares.

Quorum: The stated minimum number of people entitled to attend a meeting who must be present for business to be conducted. Company by-laws may specify the minimum number of directors who must be present at a meeting of the board of directors or the minimum number of shareholders who must be present at a shareholders' meeting; if not, the CBCA sets out quorums.

Resolution: A statement of a decision reached either by directors or by shareholders of a company. A resolution may be written if all parties agree and sign it, or may be made orally in a meeting on the basis of a number of votes cast and then recorded in the minutes. An ordinary resolution is one passed by a majority of the votes cast, while a special resolution is one passed by a majority of not less than two thirds of the votes cast.

Share: A measure of ownership of a corporation. Some people refer to the share certificate as a stock. Shares are distinguished from securities, which are any type of investment instrument, including shares.

Shareholder: An owner in a corporation; a person holding shares in a corporation. Because many activities, such as electing directors, must be done or approved by shareholders, an active corporation must have at least one shareholder.

Annex A Sample Articles of Incorporation: One Class of Shares

Corporations Act sociétés	Canada dienne sur les par actions	FORM 1 ARTICLES OF INCORP (SECTION 6)		FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)
1 - Name of the Corporation ABBA Consulting	Inc.	Dénomination so	ociale de la sociét	ié
2 - The place in Canada where the regis			où doit être situé	
3 - The classes and any maximum numb corporation is authorized to issue An unlimited numl		o ciliettie	ut nombre maxim	nal d'actions que la société est autorisée
Restrictions, if any, on share transfer See attached Sche		Restrictions sur l	e transfert des ac	ctions, s'il y a lieu
Number (or minimum and maximum n		Nombre (ou nom	ore minimal et ma	aximal) d'administrateurs
Restrictions, if any, on the business t	ne corporation may carry	on Limites Imposées	à l'activité comn	nerciale de la société, s'il y a lieu
Other provisions, if any See attached Sche	dule II	Autres disposition	ns, s'il y a lieu	
Incorporators - Fondateurs				
Name(s) - Nom(s)	Addre Adre	ess (including postal code) sse (inclure le code postal)		Signature
ane Smith	555 Any St Anytown ON			[J. Smith]
DR DEPARTMENTAL USE ONLY - À L'US orporation No Nº de la société	AGE DU MINISTÈRE SEUL	EMENT F	led - Déposée	
3419 (1999/06)				

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors **and/or** the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial securities regulation.

ANNEX A SAMPLE ARTICLES OF INCORPORATION: ONE CLASS OF SHARES

The CBCA allows for a number of provisions that **may** be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the restriction on the number of shareholders and any distribution of shares to the public, which are aimed at excluding the company from regulation by securities laws) or institutions (the limits on borrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

Other provisions:

- (a) The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- (b) Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- (c) If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

(d) The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Annex B Sample Articles of Incorporation: Two Classes of Shares

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###	Industry Canada Canada Business Corporations Act	Industrie Ca Loi canadier sociétés par	ne sur les	FORM 1 ARTICLES OF INCORP (SECTION 6)		FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)
1 Nam	e of the Corporation			Dénomination s	ociale de la société	
AE	BBA Consul	ting I	nc.			
2 The	place in Canada whe	re the registere	ed office is to be situat	ed Lieu au Canada	où doit être situé le	siège social
(∈	enter the	name o	f) a Regio	nal Municipal	lity in C	anada
3 The	classes and any max oration is authorized	to issue	of shares that the	Catégories et to à émettre	out nombre maximal	d'actions que la société est autorisée
sh	ares with	the r		vileges, rest		number of Class B and conditions
4 Rest	rictions, if any, on sh	nare transfers		Restrictions sur	le transfert des act	ions, s'il v a lieu
	e attache		12 - T	1100110110110110	to transfer dos dos	one, on y a nou
5 Num	nber (or minimum and	l maximum nun	nber) of directors	Nombre (ou nor	nbre mınimal et max	imal) d'administrateurs
Mi	nimum of	1, maxi	lmum of 10			
	trictions, if any, on th	ne business the	corporation may carry	on Limites Imposéd	es à l'activité comm	erciale de la société, s'îl y a lieu
7 Oth	er provisions, if any			Autres dispositi	ons, s'il y a lieu	
Se	e attache	d Sched	lule II			
8 Inco	prporators - Fondateu	rs				
	Name(s) - Nom(s)		Add Adr	dress (including postal code) esse (inclure le code postal)		Signature
Jane	Smith		555 Any St Anytown Ol			[J. Smith]
			*			
FOR DE Corpora	PARTMENTAL USE C tion No N° de la so	NLY - À L'USA ciété	GE DU MINISTÈRE SE	ULEMENT	Filed - Déposée	
IC 3419	(1999/06)					

ANNEX B SAMPLE ARTICLES OF INCORPORATION: TWO CLASSES OF SHARES

SCHEDULE A TO ARTICLES OF INCORPORATION - SHARE RIGHTS

- 1. The holders of Class A shares are entitled:
 - (a) to vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote;
 - (b) to receive the remaining property of the Corporation upon dissolution; and
 - (c) subject to the rights and privileges attaching to the Class B shares, to receive dividends as and when declared by the board of directors of the Corporation.
- 2. The holders of Class B shares are entitled:
 - (a) in priority to the holders of Class A shares and from the funds declared for the payment of dividends, to receive a maximum annual, preferential and non-cumulative dividend based on the prime lending rate of the bank of the Corporation at the date of the dividend less one percent (1%) as applied to the amount added, in respect of these shares, to the stated capital account maintained for the Class B shares, the date and terms of payment of such dividends to be determined by the board of directors; and
 - (b) upon dissolution of the Corporation, to repayment of the amount paid for such share (plus any declared and unpaid dividends) in priority to the Class A shares, but not to participate any further in profits or assets of the Corporation.
- 3. The holders of Class B shares shall not be entitled to vote at meetings of the shareholders except as otherwise specifically provided for by the terms of the Canada Business Corporations Act.

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors **and/or** the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial securities regulation.

ANNEX B SAMPLE ARTICLES OF INCORPORATION: TWO CLASSES OF SHARES

The CBCA allows for a number of provisions that **may** be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the restriction on the number of shareholders and any distribution of shares to the public, which are aimed at excluding the company from regulation by securities laws) or institutions (the limits on borrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

Other provisions:

- (a) The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- (b) Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- (c) If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

(d) The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Annex C Sample Form 3 — Notice of Registered Office

industry Callada	muustrie Cariaua		
Canada Business Corporations Act	Loi canadienne sur les sociétés par actions		
	FORM 3 OF REGISTERED OFFICE OR E OF ADDRESS OF REGISTERED OFFICE (SECTION 19)		FORMULE 3 VIS DE DÉSIGNATION OU MENT D'ADRESSE DU SIÈGE SOCIAL (ARTICLE 19)
1 Name of the Corporation - D	Dénomination sociale de la société		2 Corporation No N° de la société
ABBA Consu			[leave blank]
Place in Canada where the reterms of a broad municipal (Item 2 of the Articles.)	registered office is situated. (Describe the place in definition. This place must match the place listed in	Lieu du siège social au Ca municipalité. Il doit corres	inada. (Indiquer le lieu selon la définition générale de pondre au lieu indiqué à l'article 2 des statuts.)
	name of) a Regional M	unicipality	in Canada
4 Address of Registered Offic	e - Adresse du siège social		
123 Any St	reet		
Suite 555			
Anytown ON	M2T 1P9		
CAUTION: Address of register	ed office must be within the place that is described in	the Articles and Item 3: oth	erwise an amendment to the Articles, is required
(paragraph 173(1)(b	 of the Act, use Form 4) in addition to this form. social doit se trouver dans les limites du lieu indiqué of 		
173(1) b) de la Loi)	et remplir, outre la présente formule, la formule 4.		
5 Effective Date of Change - I	Date de prise d'effet		
n/a			
6 Previous Address of Registe	red Office - Ancienne adresse du siège social		
_			
n/a			
Date	Signature		Title - Titre
Jan. 1/97	[Jane Smith]		Director

IC 3420 (1997/12)

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For Departmental Use Only - À l'usage du ministère seulement

Annex D Sample Form 6 — Notice of Directors

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Industry Canada

Canada Business Corporations Act Industrie Canada Loi canadienne sur les sociétés par actions

FORM 6 NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS (SECTIONS 106 AND 113

FORMULE 6 LISTE DES ADMINISTRATEURS OU AVIS DE CHANGEMENT DES ADMINISTRATEURS (ARTICLES 106 ET 113)

(SECTIONS 106 AND 113) 1- Name of corporation - Dénomination de la société 2- Corporation No. - Nº de la société ABBA Consulting Inc. [leave blank] 3- The following persons became directors of this corporation - Les personnes suivantes sont devenues administrateurs de la présente société Effective Date Date d'entrés en vigueur Name - Nom Residential Address - Adresse domiciliaire Jane Smith Jan. 1/97 555 Any Street yes Anytown ON M1A 5T6 John Nack Jan. 1/97 123 Another Avenue yes Anytown ON N3E 9P7 4- The following persons ceased to be directors of this corporation - Les personnes suivantes ont cessé d'être administrateurs de la présente société Effective Date Date d'entrée en vigueur Name - Nom Residential Address - Adresse domiciliaire n/a 5- The directors of this corporation now are - Les administrateurs de la présente société sont maintenant Name - Nom Residential Address - Adresse domiciliaire Resident Canadian Y/N Résident canadian - O/N Jane Smith 555 Any Street yes Toronto ON M1A 5T6 John Nack 123 Another Avenue yes Anytown ON N3E 9P7 Jan. 1/97 [Jane Smith] Director Filed - Déposée IC 3103 (1998/02)

Annex E Sample Organizational Resolutions

RESOLUTIONS OF THE DIRECTOR(S) OF ABBA CONSULTING INC.

The undersigned, being the director(s) of ABBA CONSULTING INC., hereby sign(s) the following resolutions:

DESIGNATION OF OFFICES

The above resolution should specifically designate only those offices that are intended to be used.

DUTIES AND POWERS OF OFFICERS

RESOLVED that the officers of the Corporation shall exercise the following duties and powers:

- 1. The Chair of the Board shall, when present, preside at all meetings of the board of directors.
- 2. The President shall, when present, preside at all meetings of the board of directors in the absence of the Chair of the Board and at all meetings of shareholders and shall be responsible for the management of the business and affairs of the Corporation.
- 3. The Vice President, or, if more than one, the Vice Presidents, shall assist the President in the performance of the President's duties and, in order of seniority as determined by the board of directors, may perform the duties and exercise the powers of the President during the absence or inability to act of the President. If a Vice President performs any such duty or exercises any such power, the absence or inability of the President shall be presumed with respect thereto.
- 4. The Secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees of the board of directors. The Secretary shall attend meetings of the board of directors and of the shareholders and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings. The Secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation, if any.

ANNEX E > SAMPLE ORGANIZATIONAL RESOLUTIONS

- 5. The Treasurer shall keep or cause to be kept full and accurate books of account in which shall be recorded all receipts and disbursements of the Corporation and, under the direction of the board of directors, shall control the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The Treasurer shall render an account of the financial position of the Corporation to the board of directors at each meeting of the board of directors, or whenever otherwise required by the board of directors.
- 6. Officers shall, in addition to those prescribed by this resolution, perform such duties and exercise such powers of management of the business and affairs of the Corporation as may from time to time be prescribed by the board of directors. An assistant to any officer shall assist such officer in the performance of such officer's duties and may perform the duties and exercise the powers of such officer during the absence or inability to act of such officer. If an assistant performs any such duty or exercises any such power, the absence or inability to act of such officer shall be presumed with respect thereto.

The above resolution should deal only with those offices that have been designated. If some offices are designated at a later time, the duties and powers of those positions should be set out at that time.

APPOINTMENT OF OFFICERS

RESOLVED that:

(name)	is appointed Chairman of the Board of the Corporation.
(name)	is appointed President of the Corporation.
(name)	is appointed a Vice President of the Corporation.
(name)	is appointed Secretary of the Corporation.
(name)	is appointed Treasurer of the Corporation.

EXECUTION OF DOCUMENTS

RESOLVED that deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by ____(any director or officer/any two directors or officers) _____ of the Corporation. In addition, the directors may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

(name of class of shares) SHARE CERTIFICATES

RESOLVED that the form of certificate annexed hereto is approved and adopted as the form of certificate for the ______(name of class) shares in the capital of the Corporation.

BANKING RESOLUTION

RESOLVED that the banking resolution, in the form required by the (name of bank), a copy of which is annexed hereto as Schedule "B," is hereby approved.

Insert the appropriate form of banking resolution, which is provided by your bank, here.

FINANCIAL YEAR END

APPOINTMENT OF AUDITORS

RESOLVED that **(name)**, Chartered Accountants, are appointed auditors of the Corporation to hold office until the first annual general meeting of shareholders at such remuneration as may be fixed by the directors.

If you decide to dispense with the audit requirement (which requires the agreement of all shareholders), delete the paragraph above and include the paragraph approving an accountant found in the sample Organizational Resolutions of the Shareholder(s) below.

ANNEX E SAMPLE ORGANIZATIONAL RESOLUTIONS

CORPORATE SEAL

RESOLVED that the corporate seal of the Corporation is in the form impressed hereon.

There is no requirement for a corporation to have a corporate seal. If you decide not to have one, you should omit this resolution.

DATED	(d/m/y)		
		(signature)	
		Director	

SUBSCRIPTION FOR ONE COMMON SHARE

TO: ABBA Consulting Inc.

The undersigned hereby subscribes for one common share in the capital of the Corporation and tenders herewith the sum of \$1.00 in full payment of the subscription price for such share.

The undersigned hereby requests that the said share be allotted to the undersigned, that such share be issued as fully paid and non-assessable and that a certificate representing such share be issued in the name of the undersigned.

DATED	(d/m/y)			
		(signature)		
		Shareholder		

RESOLUTION OF THE DIRECTOR OF ABBA CONSULTING INC.

The undersigned, being the sole director of ABBA Consulting Inc., hereby signs the following resolution:

ALLOTMENT AND ISSUANCE O	F SHARES TO	(name)
RESOLVED that:		
1. The subscription ofin the capital of the Corporathereto, is accepted.		
2. The consideration for the a share subscribed for as afores		
3. One common share in the cap to	oital of the C	Corporation is allotted
4. The Corporation having rece of the subscription price for issued and shall be held as a and a certificate therefor sha	the said comments fully paid an	on share, such share is d non-assessable share
DATED (d/m/y)		
	(signe	ature)
	Dire	ector

ANNEX E > SAMPLE ORGANIZATIONAL RESOLUTIONS

ORGANIZATIONAL RESOLUTIONS OF THE SHAREHOLDER(S) OF ABBA CONSULTING INC.

ELECTION OF DIRECTOR(S)

RESOLVED that the following person(s) are hereby elected directors of the Corporation for the ensuing year or until their successors have been duly elected:

(name)
(name)
APPOINTMENT OF ACCOUNTANTS
RESOLVED that:
1. Pursuant to the Canada Business Corporations Act, an auditor of the Corporation shall not be appointed; and
2. (names) are hereby appointed accountants of the Corporation to hold office until the first annual general meeting of the shareholders or until their successors have been duly appointed at such remuneration as may be fixed by the directors, the directors being hereby authorized to fix such remuneration.
The undersigned, being all the shareholders of the Corporation, hereby consent, by their signatures, to the foregoing resolutions pursuant to the provisions of the Canada Business Corporations Act.
DATED (d/m/y)
(signature)
Shareholder

Annex F Sample By-law

BY-LAW NO. 1 ABBA CONSULTING INC.

A by-law relating generally to the transaction of the business and affairs of ABBA Consulting Inc. (hereinafter referred to as the "Corporation")

DIRECTORS

- 1. Calling of and notice of meetings: Meetings of the board shall be held at such place and time and on such day as the President, Vice President or Secretary or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board is elected.
- 2. Votes to govern: At all meetings of the board, every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chair of the meeting (shall shall not [choose one]) be entitled to a second or casting vote.
- 3. Interest of directors and officers generally in contracts:
 No director or officer shall be disqualified by his/her office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established, provided that the director or officer shall have complied with the provisions of the Canada Business Corporations Act.

ANNEX F > SAMPLE BY-LAW

SHAREHOLDERS' MEETINGS

4. Location and quorum: Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is located or, if the Board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada. At any meeting of shareholders, a quorum shall be (any number you decide) persons present in person and each entitled to vote thereat [and holding or representing by proxy not less than (any number you decide) percent of the votes entitled to be cast thereat].

INDEMNIFICATION

- 5. Indemnification of directors and officers: The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his/her heirs and legal representatives to the extent permitted by the Canada Business Corporations Act.
- 6. Indemnity of others: Except as otherwise required by the Canada Business Corporations Act and subject to paragraph 5, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed activity, suit or proceeding, whether civil, criminal, administrative or investigative (other than an activity by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him/her in connection with such activity, suit or proceeding if he/she acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative activity or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his/her conduct was lawful. The termination of any activity, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative activity or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his/her conduct was lawful.

- 7. Right of indemnity not exclusive: The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to activity in his/her official capacity and as to activity in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.
- 8. No liability of directors or officers for certain matters: To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever that may happen in the execution of the duties of his/her respective office or trust or in relation thereto unless the same shall happen by or through his/her failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate that is employed by or performs services for the Corporation, the fact of his/her being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

BANKING ARRANGEMENTS, CONTRACTS, ETC.

9. Banking arrangements: The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.

ANNEX F 🕿 SAMPLE BY-LAW

10. Execution of instruments: Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any (any number you decide) officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities), proxies for shares and other securities and all paper writings.

MISCELLANEOUS

- 11. Invalidity of any provisions of this by-law: The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.
- 12. Omissions and errors: The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any activity taken at any meeting held pursuant to such notice or otherwise founded thereon.

INTERPRETATION

13. Interpretation: In this by-law and all other by-laws of the Corporation, words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Canada Business Corporations Act" shall mean Canada Business Corporations Act, R.S.C. 1985, c. C-44 as amended from time to time or any Act that may hereafter be substituted therefor; and "meeting of shareholders" shall mean and include an annual general meeting of shareholders and a special meeting of shareholders.

SMALL BUSINESS GUIDE TO FEDERAL INCORPORATION

REPEAL

The next clause should be included only if previous by-laws are being replaced.

14. Repeal: By-laws No. (number) of the Corporation are repealed as of the coming into force of this by-law, provided that such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Canada Business Corporations Act until their successors are appointed.

ATED	(d/m/y)		
		(signature)	
		President	
		(signature)	
		Secretary	

ANNEX F > SAMPLE BY-LAW

RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS OF ABBA CONSULTING INC.

RESOLVED that the foregoing By-law No. 1 is made a by-law of the Corporation. The undersigned, being all the directors of (corporation) , hereby sign the foregoing resolution. DATED (d/m/y) (signature) Director (signature) Director (signature) Director RESOLVED that the foregoing By-law No. 1 of the by-laws of the Corporation is hereby confirmed. The undersigned, being all the shareholders of (corporation) , hereby sign the foregoing resolution. DATED (d/m/y) (signature) Shareholder (signature) Shareholder (signature) Shareholder

Annex G Sample Notice of Annual General Meeting and Minutes of an Annual General Meeting

The Notice and Minutes below provide suggested wording and format that you can adapt to your business at its first shareholders' annual general meeting for the election of directors and the appointment of officer(s), auditor(s) and accountant(s). Alternatively, you can proceed by way of written resolution instead, as shown in Annex E.

NOTICE OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

NOTICE IS H	EREBY GIVEN that the annual general meeting of the
nolders of	(name of class of shares) Shares of ABBA Consulting Inc.
(the "Corpor	cation") will be held at (address) on
	at the hour of (time) in the forenoon, for the
ourpose of:	
(1)	receiving and considering the annual report and financial statements for the year ended (d/m) and the report of the auditors thereon;
(2)	electing directors;
(3)	appointing auditors; and
(4)	transacting such further and other business as may properly come before the meeting or any adjournment thereof.
Dated this_	(d) day of (m) 19 (y).
	ON BEHALF OF THE BOARD OF DIRECTORS
	(signature)
	Secretary

ANNEX G > SAMPLE NOTICE OF ANNUAL GENERAL MEETING AND MINUTES OF AN ANNUAL GENERAL MEETING

MINUTES OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

Minutes of the annual general meeting of the shareholders of ABBA Consulting Inc. held at (address) on the (d/m/y)
at the hour of (time) in the forenoon (local time) .
1. Present in Person
(name)
2. Represented by Proxy
being all of the shareholders of the Corporation.
3. Chair and Secretary
The President, (name) , assumed the Chair and the Secretary, (name) , acted as Secretary of the meeting.
4. Constitution of Meeting
All of the shareholders of the Corporation being present in person or represented by proxy and all the shareholders, directors and auditors of the Corporation having been sent notice of the meeting in the manner required by law, the Chair declared the meeting properly constituted for the transaction of business.
5. Financial Statements
The Chair presented to the meeting the balance sheet of the Corporation as at(d/m/y), and the other financial statements of the Corporation for the financial year ended on such date. At the request of the Chair, the Secretary of the meeting then read to the meeting the auditor's report. Following the reading of the auditor's report, the Chair invited questions and comments from the floor and, there being none, the Chair proceeded to the next item of business.

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6. Election of Directors

The Chair stated that it was now in order to proceed with the election of directors. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names of directors)
are hereby elected directors of the Corporation to hold office
for the ensuing year or until their successors are elected or

OR

6. Election of Directors

appointed, whichever occurs first.

The Chair stated that it was now in order to proceed with the election of directors and declared the meeting open for nominations. The following were nominated as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first:

 (name)	
(name)	
(name)	

There being no further or other nominations, the Chair declared the nominations closed and directed the Secretary of the meeting to cast a single ballot for the election of the foregoing persons as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first. Such ballot having been cast, the Chair declared the foregoing persons to have been elected directors of the Corporation for the ensuing year or until their successors are elected or appointed.

7. Appointment of Auditors

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names)

Chartered Accountants, are hereby appointed the auditors of the Corporation to hold office until the close of the next annual general meeting of the shareholders or until a successor is appointed, at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

ANNEX G > SAMPLE NOTICE OF ANNUAL GENERAL MEETING AND MINUTES OF AN ANNUAL GENERAL MEETING

OR

7. Appointment of Accountants

The Chair stated that the Corporation meets the conditions referred to in section 163 of the Canada Business Corporations Act (the "Act") and that all the shareholders of the Corporation have consented in writing that the Corporation be exempt from the requirements of section 160 of the Act. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names)

are hereby appointed the accountants of the Corporation to hold office until the close of the next annual general meeting of shareholders at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

8. Confirmation of Proceedings

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: all by-laws, resolutions, contracts, acts, and proceedings of the board of directors, shareholders and officers of the Corporation enacted, passed, made, done or taken since

(date of last meeting) as the same are set forth or referred to in the minutes of the Corporation or in the financial statements submitted to the shareholders of the Corporation on this date are hereby approved, ratified, sanctioned and confirmed.

9. Termination

There being no further business, on motion duly made, seconded and unanimously carried, the meeting was terminated.

(signature)	
President	
(signature)	
Secretary	

Annex H Sample Form 22 — Annual Return

Industry Canada Canada Business Corporations Act	Industrie Canada Loi canadienne sur les sociétés par actions		FORM 22 ANNUAL RETURN (section 263)	RAPPOR	ULE 22 T ANNUEL de 263)
	Reverse Side - Voir les instructi				
	payable to the Receiver Gene egistered Office Address - Dénor				2 Corporation No Nº de la société
ABBA Consul		ililation de la societe i	st auresse ou neu du siege su	Gidi	999999-1
	reet, Suite 55	E			3 Business No Nº d'entreprise
-	M2T 1P9	3			<u> </u>
Anytown ON land mailing address, if differ	rent from that of registered office) -	(ainsi que l'adresse posta	ile si elle diffère de celle du siège	social)	4 Taxation Year End Fin de l'année d'imposition
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		, , , , , , , , , , , , , , , , , , , ,			
					1,9,9,9,0,1,3,1
5 Main Types of Business -	Catégories principales d'activité	é commerciale			
Consulting					
6 Has there been a change Y a-t-il eu un changemen	of directors?		7 Has there been a change Y a-t-il eu un changeme	e of registered of	fice?
Y a-t-il eu un changemen	t d'administrateurs?		Y a-t-il eu un changeme	ent du siège socia	I?
Yes - Oui	X No - Non		Yes - Out		X No - Non
If yes, has Form 6 been	: - Si oui, la formule 6 a-t-elle ét	té :	If yes, has Form 3 be	en: - Si oui, la for	mule 3 a-t-elle été :
Filed - Déposée	Attached - Annexée		Filed - Déposée	Attache	d - Annexée
Date of Last Annual Mee Date de la dernière assen	ting hblée annuelle Feb.	15 1998	9 Does the corporation d the public? La société émet-elle se voie de souscription pu	s valeurs mobilière	Yes to No
Does the corporation hav La société a-t-elle 15 acti	re 15 or more shareholders? ionnaires ou plus?	Yes - Oui	No - Non		
Does the Corporation have in whole or in part, the public associate dispose-t-elle en partie les pouvoirs des	re in place a unanimous shareho ower of the directors to manage d'une convention unanime des a s administrateurs de gérer les afi	ider agreement referre the business and affa actionnaires visée au pa faires tant commerciale	d to in subsection 146(2) of t urs of the corporation? aragraphe 146(2) de la Loi, que es qu'internes de la société?	he Act, that restr ui restreint en tou	icts, t ou Yes No Non
	corporation is carrying on busin				
					ou adresse aux fins de signification
Ontario	123 Any Stre	eet, Suite	555, Anytow	n ON M.	2T 1P9
Saskatchewan	456 Another	Street, A	nothertown S	K S2X	lx1
Signature		Title - Titre	Date		Tel. No Nº de tél.
Jane Smith		Director	19	99.05.2	8 (555)555-5555
	SE ONLY - A L'USAGE DU M				
Date Received Date de réception	Validation	Key Code - Code clé	Chec	ue - Chèque	Amount - Montant
IC 2580 (1998/11)					O Hel
					Canadä

Contacts

Corporations Directorate

The following free information kits are available from the Corporations Directorate:

Canada Business Corporations Act Incorporation Kit

Amalgamation Kit

Amendment Kit

Continuance (Import) Kit

Continuance (Export) Kit

Dissolution Kit

Exemptions Kit

Name-granting Guidelines (see also the brochure Choosing a Name)

Name Policy Compendium

To obtain the above documents, write to or call:

Publications and Information Unit

Corporations Directorate

Industry Canada

9th Floor, Jean Edmonds Towers South

365 Laurier Avenue West

Ottawa ON K1A 0C8

Tel.: (613) 941-9042

Fax: (613) 941-0601

These documents are also available seven days a week, 24 hours a day:

• from the automated fax information service at:

Fax: (613) 941-0200 or (613) 941-0199

• on the Internet at:

http://strategis.ic.gc.ca/CORPORATIONS

For information on other materials available regarding incorporation, including fees, under the CBCA, please feel free to call the Corporations Directorate, General Enquiries at:

Tel.: (613) 941-9042

or contact either of our Regional Offices:

• British Columbia:

Tel.: (604) 666-9875

Quebec

Tel.: (514) 496-1797

Other Federal Government Resources of Interest to Small Businesses

Business Development Bank of Canada (BDC)

The Business Development Bank of Canada's network of 84 branch offices across Canada promotes the creation and development of small businesses through specialized financing for commercially viable enterprises. BDC has also initiated a number of business counselling, training and mentoring services to meet the needs of small business at each stage of your business's development. Contact BDC at:

Toll-free: 1-888-INFO-BDC (1-888-463-6232)

Canada Business Service Centres (CBSCs)

Canada Business Service Centres have been established in each province and territory to provide small businesses with a single access point for quick, accurate and comprehensive information on federal, provincial/territorial and municipal government programs services and regulations. Information officers can either provide you with the required information or direct you to the best source. Contact CBSCs at:

Internet: http://www.cbsc.org/english/index.html (English) http://www.cbsc.org/francais/index.html (French)

or at the office in your province or territory:

Alberta	Tel.: (780) 422-7722	Toll-free: (800) 272-9675
British Columbia	Tel.: (604) 775-5525	Toll-free: (800) 667-2272
Manitoba	Tel.: (204) 984-2272	Toll-free: (800) 665-2019
New Brunswick	Tel.: (506) 444-6140	Toll-free: (800) 668-1010
Newfoundland	Tel.: (709) 772-6022	Toll-free: (800) 668-1010
Northwest Territories	Tel.: (867) 873-7958	Toll-free: (800) 661-0599
Nova Scotia	Tel.: (902) 426-8604	Toll-free: (800) 668-1010
Ontario	Tel.: (416) 954-INFO (4636)	Toll-free: (800) 567-2345
Prince Edward Island	Tel.: (902) 368-0771	Toll-free: (800) 668-1010
Quebec	Tel.: (514) 496-INFO (4636)	Toll-free: (800) 322-INFO (4636)
Saskatchewan	Tel.: (306) 956-2323	Toll-free: (800) 667-4374
Yukon	Tel.: (867) 633-6257	Toll-free: (800) 661-0543

CONTACTS

Community Futures Development Corporations (CFDCs)

Community Futures Development Corporation services can provide you with:

- counselling and advisory services to help with the establishment, expansion, competitiveness and stabilization of your business
- financial assistance in the form of loans, loan guarantees or equity investments to help you in the creation or maintenance of long-term employment in your community.

Reach the Community Futures Development Corporation at:

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

Regional Development Agencies

The federal government has set up four regional development agencies to address the regional needs of small businesses. The agencies complement the work of the government's financial institutions and do the kind of local level economic development, mentoring and program distribution work for which private sector financial institutions are not equipped.

Each agency works with other federal departments, with provincial and municipal governments, and with the private sector to provide you with access to capital, markets, information and skills development. The agencies also provide assistance with the development of innovations and technologies and, in some cases, with tourism.

Atlantic Canada Opportunities Agency (ACOA)

Tel.: (506) 851-2271 Toll-free: 1-800-561-7862

Federal Economic Development Initiative in Northern Ontario (FedNor)

Tel.: (705) 671-0711 Toll-free: 1-800-461-4079

Federal Office of Regional Development (Quebec)

Tel.: (514) 283-6412

Western Economic Diversification Canada (WD)

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

SMALL BUSINESS GUIDE TO FEDERAL INCORPORATION

Small Business Loans Administration

The Small Business Loans Administration is designed to help new and existing small businesses with annual gross revenues not exceeding \$5 million (excluding farming and charitable or religious enterprises) to obtain term loans from chartered banks and other lenders in order to finance the purchase and improvement of fixed assets. The Administration also provides for the sharing of loan losses, if any, between the lenders and the federal government. The loans are made directly by approved lenders to small businesses. Contact the Small Business Loans Administration at:

Info line: (613) 954-5540 Fax: (613) 952-0290

Internet: http://strategis.ic.gc.ca/csbfa (English) http://strategis.ic.gc.ca/lfpec (French)

Strategis: Industry Canada On-Line

Strategis is Canada's largest business web site. It can provide you with easy, direct access to Industry Canada's extensive expertise and information resources. The information on *Strategis* will help you make critical decisions about opportunities for growth, explore new markets, find partners, form alliances, find and develop new technologies or processes, or assess the risks of new ventures. Reach *Strategis* at:

Internet: http://strategis.ic.gc.ca

Women's Enterprise Initiative (WEI)

Women's Enterprise Centres have been established in Alberta, British Columbia, Manitoba and Saskatchewan with funding from Western Economic Diversification Canada to provide loan financing and support to women entrepreneurs. Contact the WEI at:

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

CONTACTS

Small Business Tax Requirements and Services

Business Number and Integrated Services

The Business Number (BN), which has been mandatory since January 1, 1997, is a new number system that replaces the multiple numbers you formerly used to deal with the federal government. It gives you a unique identifier that remains unchanged, no matter how many or what types of accounts you have. To register a new business, or for more information on the other services below, call:

Toll-free: 1-800-959-5525 (English) Toll-free: 1-800-959-7775 (French)

Goods and Services Tax (GST)

Revenue Canada has implemented a number of initiatives to simplify your payment of the GST:

GST Electronic Filing and Remitting Program

Revenue Canada has implemented a new electronic option to file your GST return and to remit payments using Electronic Data Interchange (EDI) technology. Call: Toll-free: 1-800-279-5394

• GST Simplified Accounting Method — Quick Method

This is a simplified accounting option to help small businesses calculate the GST they owe, without having to track the GST they pay or to claim GST input tax credits. Businesses with worldwide annual taxable sales (including zero-rated sales) of \$200 000 or less, including GST and annual taxable sales of all associated businesses, can use this method, with some exceptions.

Scientific Research and Experimental Development (SR&ED) Investment Tax Credit

An investment tax credit is available for small businesses engaged in scientific research and experimental development. If you have never filed a claim for the SR&ED investment tax credit, Revenue Canada has a service to help you. The service also makes you aware of the incentives to file, including the new 18-month filing deadline.

Simplified Returns and Claims

Incorporated businesses are required to submit a T2 corporate tax return. If your business has gross revenues of \$500 000 or less and no taxable income, you can submit a T2 Short return. This two-page return reduces the time it takes to complete the form.



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Industry Canada

Industrie Canada

Canada Business Loi canadienne sur les sociétés par actions

FORM 1 ARTICLES OF INCORPORATION (SECTION 6)

FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)

		(32011014 0)	(ARTICLE 6)
1 Name of the Corporation		Dénomination sociale de la soc	ciété
2 The place in Canada where the regist	ered office is to be situated	Lieu au Canada où doit être sit	ué le siège social
3 The classes and any maximum number corporation is authorized to issue	r of shares that the	Catégories et tout nombre ma: à émettre	ximal d'actions que la société est autorisée
4 Restrictions, if any, on share transfers		Restrictions sur le transfert des	s actions, s'il y a lieu
5 Number (or minimum and maximum nu		Nombre (ou nombre minimal et	
6 Restrictions, if any, on the business th	e corporation may carry on	Limites imposees a l'activité co	mmerciale de la société, s'il y a lieu
7 Other provisions, if any		Autres dispositions, s'il y a lieu	
3 Incorporators - Fondateurs			
Name(s) - Nom(s)	Address (in: Adresse (in:	cluding postal code) clure le code postal)	Signature
OR DEPARTMENTAL USE ONLY - À L'US. Corporation No № de la société	AGE DU MINISTÈRE SEULEMEN	T Filed - Déposée	
C 2410 (1000/0C)			

Articles of Incorporation FORM 1 INSTRUCTIONS

Documents required to be sent to the Director pursuant to the *Canada Business Corporations Act* (CBCA) must conform to sections 5 to 10 of the *Canada Business Corporations Regulations*.

Item 1
Set out the proposed corporate name that complies with sections 10 and 12 of the Act. Articles of incorporation must be accompanied by a Canada-biased NUANS search report dated not more than ninety (90) days prior to the receipt of the articles by the Director. On request, a number name may be assigned under subsection 11(2) of the Act,

Set out the name of the place and province within Canada where the registered office is to be situated. A specific street address is not

Item 3

Set out the details required by paragraph 6(1)(c) of the Act, including details of the rights, privileges, restrictions and conditions attached to each class of shares. All shares must be without nominal or par value and must comply with the provisions of Part V of the Act.

If restrictions are to be placed on the right to transfer shares of the corporation, set out a statement to this effect and the nature of such

State the number of directors. If cumulative voting is permitted, the number of directors must be invariable; otherwise it is permissible to specify a minimum and maximum number of directors.

 $tem \, 6$ If restrictions are to be placed on the business the corporation may carry out, set out the restrictions.

Set out any provisions, permitted by the Act or Regulations to be set out in the by-laws of the corporation, that are to form part of the articles, including any pre-emptive rights or cumulative voting

Each incorporator must state his or her name and residential address, and affix his or her signature, If an incorporator is a body corporate, that name shall be the name of the body corporate, the address shall be that of its registered office, and the articles shall be signed by a person authorized by the corporate body.

Other Documents

The articles, must be accompanied by a Notice of Registered Office (Form 3), and a Notice of Directors (Form 6). Note that a Form 6 must be sent to the Director within fifteen (15) days of any change of the directors in accordance with subsection 113(1) of the Act.

Other Notices If a proposed corporation is to engage in a) the construction or operation of a pipeline for the transmission of oil or gas as defined in the National Tenergy Board Act, b) the construction or operation of a commodity pipeline as defined in the National Transporation Act, 1987, c) the business of an investment company within the meaning of the Investment Companies Act, the incorporator shall inform the minister of the department or agency that regulates such business.

The information you provide in this document is collected under the authority of the Canada Business Corporations Act and will be stored in personal information bank number CCA/P-PU-093. Personal information that you provide is protected under the provisions of the Privacy Act. However, public disclosure pursuant to section 266 of the Canada Business Corporations Act is permitted under the Privacy Act.

Completed document and fees payable to the Receiver General are to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

Statuts constitutifs FORMULE 1 INSTRUCTIONS

Tous les documents dont l'envoi au directeur est exigé par la *Loi* canadienne sur les sociétés par actions doivent être conformes aux articles 5 à 10 du *Règlement sur les sociétés par actions de régime* fédéral

Rubrique 1 Indiquer une dénomination sociale qui satisfait aux exigences des articles 10 et 12 de la Loi. Les statuts constitutifs doivent être accompagnés d'un rapport de recherche NUANS couvrant le Canada, dont la date remonte à quatre-vingt-dix (90) jours ou moins avant la date de réception des statuts par le directeur. Si un numéro matricule est demandé en guise de dénomination sociale, il peut être assigné, sans recherche préalable, en vertu du paragraphe 11(2) de la Loi.

Rubrique 2 Indiquer le nom de l'endroit et de la province au Canada où le siège social doit être situé. Une adresse précise n'est pas requise.

Rubrique 3

Indiquer les détails requis par l'alinéa 6(1)c) de la Loi, y compris les détails des droits, privilèges, restrictions et conditions attachés à chaque catégorie d'actions. Toutes les actions doivent être sans valeur nominale ni sans valeur au pair et doivent être conformes aux dispositions de la partie V de la Loi.

Si le droit de transfert des actions de la société doit être restreint, inclure une déclaration à cet effet et indiquer la nature de ces

Indiquer le nombre d'administrateurs. Si un vote cumulatif est prévu, ce nombre doit être fixe; autrement, il est permis de spécifier un nombre minimal et maximal d'administrateurs.

Si des limites doivent être imposées à l'activité commerciale de la société, les indiquer

Rubrique 7 Indiquer les dispositions que la Loi ou le règlement permet d'énoncer dans les règlements administratifs de la société et qui doivent faire partie des statuts, y compris les dispositions relatives au vote cumulatif ou aux droits de préemption.

Chaque fondateur doit donner son nom, son adresse domiciliaire et apposer sa signature. Si un fondateur est une personne morale, le nom doit être celui de la personne morale, l'adresse doit être celle de son siège social, et les statuts doivent être signés par une personne autorisée par la personne morale.

Autre documents

Les statuts doivent être accompagnés d'un avis de désignation du lieu du siège social (formule 3) et d'une liste des administrateurs (formule 6). Une formule 6 doit être envoyée au directeur dans les quinze (15) jours suivant tout changement dans la composition du conseil d'administration conformément au paragraphe 113(1) de la Loi.

Autres avis Si la société projetée doit effectuer :

a) la construction ou l'exploitation d'un pipeline pour le transport du pétrole ou du gaz, défini dans la Loi sur l'Office national de l'énergie, b) la construction ou l'exploitation d'un production défini dans la Loi de 1987 sur les transports nationaux,

c) le commerce d'une société d'investissement au sens de la Loi sur les sociétés d'investissement,

les fondateurs doivent informer le ministre responsable du ministère ou l'agence qui réglemente ces entreprises.

Les renseignements que vous fournissez dans ce document sont recueillis en vertu de la *Loi canadienne sur les sociétés par actions*, et seront emmagasinés dans le fichier de renseignements personnels MCC/P-PU-093. Les renseignements personnels que vous fournissez sont protégés par les dispositions de la *Loi sur la protection des renseignements personnels*. Cependant, la divulgation au public selon les termes de l'article 266 de la *Loi canadienne sur les sociétés par actions* est permise en vertu de la *Loi sur la protection des renseignements personnels*.

Le document rempli et les droits payables au receveur général doivent être envoyés au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9º étage 365, av. Laurier ouest Ottawa (Ontario) K1A OC8





Industry Canada

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Canada Business
Corporations Act

Loi canadienne sur les sociétés par actions

FORM 3 NOTICE OF REGISTERED OFFICE OR NOTICE OF CHANGE OF ADDRESS OF REGISTERED OFFICE (SECTION 19)

FORMULE 3 AVIS DE DÉSIGNATION OU DE CHANGEMENT D'ADRESSE DU SIÈGE SOCIAL (ARTICLE 19)

1 Name of the Corporation - Dénomination sociale de la société	
Deficitification sociale de la societe	2 Corporation No N° de la société
3 Place in Canada where the registered office is situated. (Describe the place in	Lieu du siège cogial au Canada III d'
terms of a broad municipal definition. This place must match the place in Item 2 of the Articles.)	Lieu du siège social au Canada. (Indiquer le lieu selon la définition générale de municipalité. Il doit correspondre au lieu indiqué à l'article 2 des statuts.)
4 Address of Registered Office - Adresse du siège social	
CAUTION: Address of registered office must be within the place that	
CAUTION: Address of registered office must be within the place that is described in (paragraph 173(1)(b) of the Act, use Form 4) in addition to this form.	
AVIS: L'adresse du siège social doit se trouver dans les limites du lieu indiqué de	ans les statuts et à la rubrique 3. Sinon, il faut modifier les statuts (alinés
	The state of the s
5 Effective Date of Change - Date de prise d'effet	
6 Previous Address of Registered Office - Ancienne adresse du siège social	
Date Signature	Title - Titre
For Departmental Use Only - À l'usage du ministère seulement IC 34	20 (1997/12)
Filed Déposée	()
	Canadä
	Carraga

Notice of Registered Office or Notice of Change of Registered Office FORM 3 INSTRUCTIONS

Format

Documents required to be sent to the Director must be in a clear and legible form.

Complete Items 1,3 and 4 for new corporations.

Complete Items 1 to 6 for changes. Note: Where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s).

Item 1

The full legal name of the corporation.

Item 2

Complete only in the case of change of registered office.

Item 3

Set out the place in Canada where the registered office is situated as indicated in the Articles of the corporation. The description should be in terms of a broad municipal definition, not a specific street address (e.g. Montreal Urban Community, in the Province of Quebec).

Item 4

The full address at which the registered office is to be situated or to which it is to be changed.

Item 5

The date when the change of registered office is to take effect.

Item 6

The previous address of the registered office, if any.

Signature

A director or authorized officer of the corporation shall sign the Notice. If a new corporation, an incorporator shall sign the Notice.

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A OC8

Avis de désignation ou de changement du siège social FORMULE 3 INSTRUCTIONS

Présentation

Tous les documents dont l'envoi au directeur est exigé doivent être clairs et lisibles.

Remplir les rubriques 1, 3 et 4 pour les nouvelles sociétés. Remplir les rubriques 1 à 6 si des changements sont survenus. Nota : Lorsqu'exigé par la Loi, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs.

Rubrique 1

La dénomination sociale complète de la société.

Rubrique 2

À remplir seulement dans le cas d'un avis de changement du siège social.

Rubrique 3

Indiquer le lieu au Canada où se situe le siège social, tel qu'il est indiqué dans les statuts de la société. Il s'agit de décrire le lieu en général, en fonction de la municipalité plutôt que par rapport à une adresse municipale précise (ex. dans la Communauté urbaine de Montréal, province de Québec).

Rubrique 4

L'adresse complète du siège social ou celle où il doit désormais être situé.

Rubrique 5

La date à laquelle le changement du siège social doit prendre effet.

Rubrique 6

L'adresse précédente du siège social, le cas échéant.

Signatur

Un administrateur ou un dirigeant autorisé de la société doit signer l'avis. S'il s'agit d'une nouvelle société, un fondateur doit signer l'avis.

Le document rempli doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9º étage 365, ave Laurier ouest Ottawa (Ontario) K1A OC8

Industry Canada Canada Business Corporations Act

Industrie Canada

Loi canadienne sur les sociétés par actions

FORM 6 NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS (SECTIONS 106 AND 113)

FORMULE 6
LISTE DES ADMINISTRATEURS
OU AVIS DE CHANGEMENT
DES ADMINISTRATEURS
(ARTICLES 106 ET 113)

1- Name of corporation - Dénor	mination de la société		
20100	initiation de la societe	2- Corporation No N° de	e la société
3- The following persons becam	ne directors of this corporation - Les personnes	suivantes sont devenues administrateurs de la présente s	
Name - Nom	Effective Date Date d'entrée en vigueur	Residential Address - Adresse domiciliaire	Resident Canadian - Y/I Résident canadian - O/I
4- The following persons ceased	to be directors of this corporation - Les person	nes suivantes ont cessé d'être administrateurs de la prése	ente société
Name - Nom	Effective Date Date d'entrée en vigueur	Residential Address - Adresse domicil	
5- The directors of this corporati	on now are - Les administrateurs de la présente	société sont maintenant	
Name - Nom		Residential Address - Adresse domiciliaire	Resident Canadian - Y/N Résident canadien - O/N
Date	Signature	Title - Titre	
C 2102 (1009/02)		Filed - Déposée	
C 3103 (1998/02)			

Canada Business Corporations Act

Notice of Directors or Notice of Change of Directors FORM 6 INSTRUCTIONS

Loi canadienne sur les sociétés par actions

Liste des administrateurs ou Avis de changement des administrateurs FORMULE 6 INSTRUCTIONS

Format

Documents required to be sent to the Director must be in a clear and legible form.

Complete items 1 and 5 for new corporations.

Complete items 1 through 5 for changes. Note: Where required by the Act, the changes being reported by the filing of this form must be authorized by the director(s) or shareholder(s).

tem 1

Set out the full legal name of the corporation.

Item 2

Always set out the corporation number when filing a Notice of Change of Directors (Form 6).

Item 3, 4 and 5

With respect to each director,

(a) set out first given name, initial and family name;

(b) set out full residential address (not business address), including postal code;

(c) refer to the definition of "resident Canadian" in the Canada Business Corporations Act and Canada Business Corporations Regulations.

Signature

A director or authorized officer of the Corporation shall sign the Notice. If a new corporation, an incorporator shall sign the Notice.

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A OC8

The information you provide in this document is collected under the authority of the Canada Business Corporations Act and will be stored in personal information bank number IC/PPU-049. Personal information that you provide is protected under the provisions of the Privacy Act. However, public disclosure pursuant to section 266 of the Canada Business Corporations Act is permitted under the Privacy Act.

Présentation

Tous les documents dont l'envoi au directeur est exigé doivent être clairs et lisibles

Remplir les rubriques 1 et 5 pour les nouvelles sociétés.

Remplir les rubriques 1 à 5 si des changements sont survenus. Nota : Lorsq'exigé par la Loi, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 1

Indiquer la dénomination officielle complète de la société.

Rubrique 2

lindiquer toujours le numéro de la société lors de l'envoi d'un avis de changement des administrateurs (Formule 6).

Rubrique 3, 4 et 5

En ce qui concerne chaque administrateur :

a) indiquer son prénom, ses initiales et son nom de famille;

b) donner l'adresse complète de son domicile (non son adresse d'affaires) en incluant le code postal;

c) consulter la définition de "résident canadien" dans la Loi et le Règlement sur les sociétés par actions de régime fédéral.

Signature

Un administrateur ou un dirigeant autorisé de la société doit signer l'avis. S'il s'agit d'une nouvelle société, un fondateur doit signer l'avis.

Le document rempli doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9° étage 365 av. Laurier ouest Ottawa (Ontario) K1A OC8

Les renseignements que vous fournissez dans ce document sont recueillis en vertu de la Loi canadienne sur les sociétés par actions et seront emmagasinés dans le fichier de renseignements personnels IC/PPU-049. Les renseignements personnels que vous fournissez sont protégés par les dispositions de la *Loi sur la protection des renseignements personnels*. Cependant, la divulgation au public selon les termes de l'article 266 de la Loi canadienne sur les sociétés par actions est permise en vertu de la Loi sur la protection des renseignements personnels.



IC 2580 (1998/11)

Industry Canada

Industrie Canada

Canada Business Corporations Act Loi canadienne sur les sociétés par actions

FORM 22 ANNUAL RETURN (section 263)

FORMULE 22 RAPPORT ANNUEL (article 263)

1 Corporation Name and R	egistered Office Address - Dér	nomination de la société	ot adease de la	is, payable a l'ordre	du Receveur général du Canada
	Registered Office Address - Dénomination de la société et adresse du lieu du siège social			2 Corporation No N° de la socié	
					3 Business No N° d'entreprise
(and mailing address, if diffe	erent from that of registered office	l) - (ainsi que l'adresse posta	ale si elle diffère de celle	du siège social)	Taxation Year End Fin de l'année d'imposition Y - A D - J
5 Main Types of Business -	Catégories principales d'activ	ité commerciale			
6 Has there been a change Y a-t-il eu un changemen	of directors? t d'administrateurs?		7 Has there been Y a-t-il eu un ch	a change of registered rangement du siège so	d office?
Yes - Oui	No - No		Yes - Oui		No - Non
If yes, has Form 6 been Filed - Déposée	: - Si our, la formule 6 a-t-elle Attached - Annexée	été :	If yes, has For	rm 3 been: - Si oui, la	formule 3 a-t-elle été : ched - Annexée
Date of Last Annual Meet	ting iblée annuelle		9 Does the corporation distribute its securities to the public? La société émet-elle ses valeurs mobilières par Oui Non		
Does the corporation have La société a-t-elle 15 action	e 15 or more shareholders? onnaires ou plus?	Yes - Oui	voie de souscrip	tion publique?	
La société dispose-t-elle d	e in place a unanimous shareh ower of the directors to manag d'une convention unanime des administrateurs de gérer les a	actionnaires were an arrair	's of the corporation?	1. 1	
12 Jurisdictions in which the Prov./Territory-Prov./Territoire	corporation is carrying on bus Address of the principal place	iness - Provinces et territ e of business or address	toires où la société ex for service - Adresse	kerce ses activités principale de la sociét	é ou adresse aux fins de signification
Signature		Title - Titre		Date	Tel. No Nº de tél.
FOR DEPARTMENTAL USE	ONLY - A L'USAGE DU M	IINISTÈRE SEULEMEN	т		
Date Received Date de réception	Validation	Key Code - Code clé	•	Cheque - Chèque	Amount - Montant

ANNUAL RETURN FORM 22 INSTRUCTIONS

General In accordance with section 263 of the Canada Business Corporations Act and subsection 4(3) of the Canada Business Corporations Regulations, a corporation must submit to the Director an annual return with the prescribed fee of \$50 within 6 months of its taxation year end as defined by the Income Tax Act.

State the date of the corporation's taxation year end as defined by the Income Tax Act.

State the main actual business, or businesses of the corporation, indicating, where possible, the corporation's standard industrial classification code (S.I.C.C.).

Item 6 Indicate whether there has been any change of directors since the last annual return and whether a notice of change of directors (Form 6) has been filed. Note that under subsection 113(1) of the Act a notice of change of directors must be filed within fifteen (15) days of a change of directors. Note that where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Item / Indicate whether there has been any change of registered office since the last annual return and if a notice of change of registered office (Form 3) has been filled. Note that under subsection 19(4) of the Act.a. (Form 3) has been filed. Note that under subsection 19(4) of the ACT a notice of change of registered office must be filed within fifteen (15) days after a change of registered office. Note that where required by the ACt, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Item 8

Indicate the date of the last annual meeting.

Item 9 Indicate whether the corporation is a "distributing corporation", that is, a corporation that has made a distribution of its securities to the public within the meaning of subsection 2(7) of the Act.

Indicate whether the corporation has 15 or more shareholders. Part XIII of the *Act* requires any corporation that has 15 shareholders or more to solicit proxies

Indicate whether a unanimous shareholder agreement is in place. Indicate whether a unanimous shareholder agreement is in piace. A unanimous shareholder agreement is a written agreement among all the shareholders of a corporation that restricts, in whole or in part, the powers of the directors to manage the business and affairs of the corporation by giving to the shareholders certain powers usually conferred to the Board of Directors.

Item 12
For each provincial/territorial jurisdiction in which the corporation is carrying on business, including the operation of an enterprise, or possesses an immoveable real right, other than a prior claim or hypothec, state the address of the principal place of business or address for service, including the city and the postal code. If there is not enough room, please attach a piece of paper with the additional information. A corporation is presumed to be "carrying on business" if it has an address in the province/territory or having there, either directly or through the agency of a representative acting under a general mandate, an establishment, a post office box or the use of a telephone line, or carrying out in the province/territory any act for the purpose of profit. This information is being collected as part of an initiative which may eventually eliminate the need to register in each province or territory in which the corporation carries on business. At this time, the filing of forms is still required at the provincial level.

Signature

A director or authorized officer of the corporation shall sign the return.

Completed form to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

RAPPORT ANNUEL **FORMULE 22** INSTRUCTIONS

Généralités

In vertu de l'article 263 de la Loi canadienne sur les sociétés par actions et du paragraphe 4(3) du Règlement sur les sociétés par actions de régime fédéral, toute société doit soumettre au directeur un rapport annuel accompagné du droit prescrit de 50 s dans les 6 mois suivant la fin de l'année d'imposition telle qu'elle est définie dans la Loi de l'impôt

Rubrique 4

Donner la date de la fin de l'année d'imposition de la société telle qu'elle est définie dans la *Loi de l'impôt sur le revenu*.

Donner la ou les principales activités de la société en utilisant, si possible, le code de classification des activités économiques.

Rubrique 6

Rubrique 6 Indiquer s'il y a eu un changement des administrateurs depuis le dernier rapport annuel et si un avis de changement des administrateurs (formule 6) a été déposé. En vertu du paragraphe 113(1) de la *Loi*, un avis de changement des administrateurs doit être fourni dans les 15 jours suivant un changement. Nota : Lorsqu'exigé par la *Loi*, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 7 Indiquer s'il y a eu un changement du siège social depuis le dernier rapport annuel et si un avis de changement du siège social (formule 3) a été déposé. En vertu du paragraphe 19(4) de la *Loi*, un avis de changement du siège social doit être fourni dans les 15 jours suivant un changement. Nota: Lorsqu'exigé par la *Loi*, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 8 Indiquer la date de la dernière assemblée annuelle.

Indiquer si la société a émis de ses valeurs mobilières par voie de souscription publique au sens du paragraphe 2(7) de la Loi

Rubrique 10

Indiquer si la société a15 actionnaires ou plus. La partie XIII de la *Loi* exige que toute société comptant 15 actionnaires ou plus sollicite des

Indiquer si la société est assujettie à une convention unanime des actionnaires. Une convention unanime des actionnaires est une entente écrite liant tous les actionnaires de la société et qui restreint en tout ou en partie les pouvoirs des actionnaires de la societé et qui résteint en cout ou en partie les pouvoirs des administrateurs de gérer les affaires tant commerciales qu'internes de la société, en donnant aux actionnaires certains pouvoirs qui sont normalement conférés aux administrateurs.

Rubrique 12

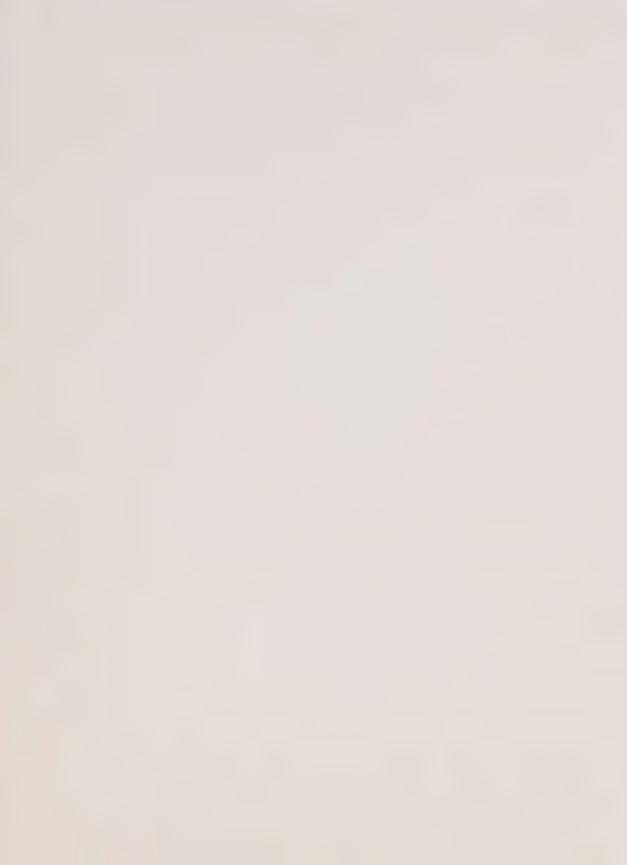
Rubrique 12
Donner l'adresse principale de la société ou l'adresse pour fin de signification avec ville et code postal pour chaque province/territoire où la société exerce ses activités, incluant l'exploitation d'une entreprise, ou y possède un droit réel immobilier autre qu'une priorité ou une hypothèque. S'il n'y a pas suffisamment d'espace, veuillez joindre une feuille supplémentaire contenant l'information additionnelle. Une société est présumée exercer une activité ou exploiter une entreprise si elle possède une adresse dans la province/territoire ou qui, par elle-même ou par l'entreprise de son représentant agissant en vertu d'un mandat général, possède un établissement ou un casier postal ou dispose d'une ligne téléphonique dans la province/territoire, ou y accomplit un acte dans le but d'en tirer un profit. Cette information est demandée suite à une initiative qui pourrait éventuellement éliminer l'obligation d'enregistrement dans chaque province/territoire où la société exerce ses activités. Pour l'instant, le dépôt des formules au niveau provincial est encore obligatoire.

Signature

Un administrateur ou un dirigeant autorisé de la société doit signer le rapport.

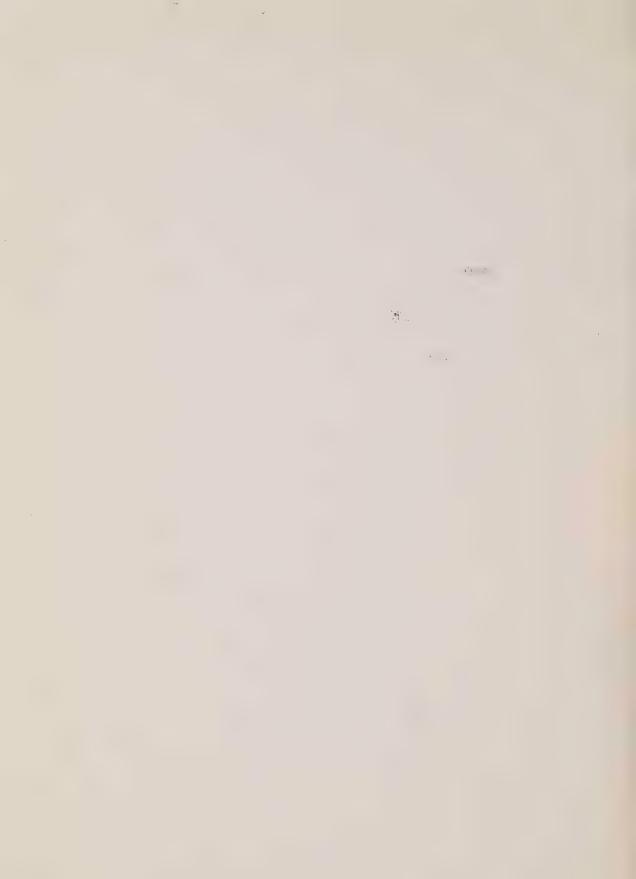
La formule complétée doit être envoyée au :

Directeur, *Loi canadienne sur les sociétés par actions* Tours Jean-Edmonds, sud 9º étage 365, ave Laurier ouest Ottawa (Ontario) K1A 0C8











Small Business Guide to Federal Incorporation





Small Business Guide to Federal Incorporation











Corporations Directorate
Industry Canada
Summer 2001 — 3rd Edition

The information contained in this guide is current as of early 2001. Please note that some of the information, however, such as fees or addresses, is subject to change without notice.



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For information about the incorporation process, please contact:

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Aussi offert en français sous le titre *Guide de la petite entreprise pour la constitution en société de régime fédéral.*





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Minister's Message

The Canada Business Corporations Act (CBCA) is one of several pieces of legislation that Industry Canada administers to promote a fair, efficient and competitive Canadian marketplace. In today's knowledge-based economy, these marketplace framework laws are critical to promoting consumer and business confidence, attracting investment, enhancing trade and encouraging innovation.

The *Small Business Guide to Federal Incorporation* has been developed by Industry Canada to give small and medium-sized enterprise owners and operators an overview of the CBCA and to help them realize the benefits of federal incorporation.

The guide provides step-by-step instructions on incorporating a business and complying with the requirements of the CBCA. It includes information on submitting articles of incorporation, organizing a company and maintaining records in a way that could potentially reduce costs for the business. The guide also offers helpful suggestions, sources for more information, and answers to frequently asked questions.

As part of the Government of Canada's efforts to reduce the costs of doing business in Canada, the guide introduces a new fee structure that significantly reduces federal incorporation and annual fees. A new electronic filing service for incorporation, secure on-line payments and a number of other services have been developed to help make the incorporation process as easy and accessible as possible.

Our government recognizes that small and medium-sized enterprises (SMEs) are key drivers of economic growth and job creation and we are committed to helping them succeed. SMEs and self-employed individuals account for almost 90 percent of total employment in Canada. SMEs created more than 300 000 jobs in 2000, almost three quarters of all jobs created. They also played an important role in bringing down the national unemployment rate to 6.8 percent last year. We want to see this kind of performance continue.

I believe that you will find this guide to be extremely helpful in setting up and running a corporation under the legal requirements of the CBCA. I wish you every success in your business ventures.

Brian Tobin

Minister of Industry



Preface

The purpose of this guide is to give the reader a general overview of federal corporate law under the *Canada Business Corporations Act* (CBCA). It provides the basic knowledge and tools that business owners and operators need to incorporate and operate a small or medium-sized private company under the federal corporate law.

The guide provides useful hints to help you meet CBCA requirements for federal incorporation and provides instructions on how to incorporate on-line. It assumes that you are past the initial business concept stage and that you have made or are in the process of making a decision to incorporate.

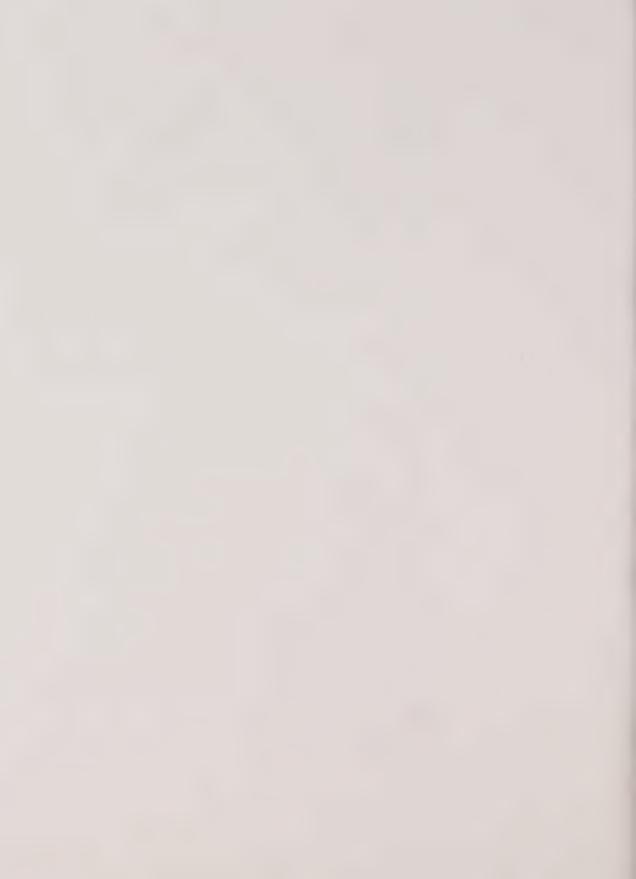
The guide focusses on general incorporation issues for small businesses under the CBCA. (Note that banking, insurance, and loan and trust companies, as well as non-profit corporations, are incorporated under different statutes in Canada.) Much of the discussion in this guide applies only to companies with fewer than 15 shareholders, since most small businesses, at least at the beginning, have fewer than 15 shareholders anyway. It does not describe matters relating only to publicly held corporations or only to situation-specific provisions such as takeover bids or management proxy solicitations. Instead, the focus here is - and stays - on the information you need to incorporate and run your small business under federal jurisdiction.

While this guide is aimed at the small, oneowner corporation, some information that a corporation with several shareholders/directors will want to consider is included. As you review the material, you may find that some sections contain more information than you feel you need at the start. We suggest you hold onto the guide; as your business develops, you may want to refer to these sections at a later time The answers to frequently asked questions and a glossary of terms are included for your reference. The appendixes contain samples of forms you may wish to consult before submitting your articles of incorporation under the CBCA; you may adapt the wording contained in them for your own circumstances. There are also samples of minutes of typical annual general meetings, resolutions, by-laws and annual returns.

Helpful suggestions or sources for more information appear in boxes accompanying the text throughout the guide. Key CBCA provisions are cited in the text. A complete copy of the CBCA is available electronically on the Internet at the following address: http://laws.justice.gc.ca/en/title/C.html

Instructions on how to contact our corporate specialists, as well as other federal government resources for small and medium-sized enterprises (SMEs), are included at the back of this guide in the Contacts section. In addition, the Corporations Directorate has prepared information kits with instructions on how to incorporate your company and maintain or change its status under the CBCA. A list of titles and where to obtain them is included in the Contacts section.

A caution: This guide is not legal advice.
It does not discuss all of the other federal and provincial/territorial laws that impose obligations on CBCA corporations and their operators, nor does it attempt to deal exhaustively with the CBCA. It does, however, provide the basic knowledge and tools that an SME operator needs for incorporating and operating a private company under the CBCA.



Contents

1 Why Should I Incorporate?	
2 Submitting Articles of Incorporation	
3 Organizing Your Company	
4 Complying With the CBCA	
5 Shareholders	
Frequently Asked Questions	
Glossary of Terms	28
Appendixes	
Appendix A: Sample Articles of Incorporation: One Class of Shares	29
Appendix B: Sample Articles of Incorporation: Two Classes of Shares	
Appendix C: Sample Form 3 — Notice of Registered Office or Notice of Change of Registered Office	
Appendix D: Sample Form 6 — Notice of Directors or Notice of Change of Directors	
Appendix E: Sample Organizational Resolutions	
Appendix F: Sample By-Law	
Appendix G: Sample Notice of Annual General Meeting and	
Minutes of an Annual General Meeting	50
Appendix H: Sample Form 22 — Annual Return	
Contacts	
Corporations Directorate	55
Other Federal Government Resources of Interest to Small Businesses	
Small Business Tax Requirements and Services	59



Why Should I Incorporate?

"I am starting a new business. Should I incorporate?" This is one of the most frequently asked questions by entrepreneurs. The answer usually is "It depends."

Factors to consider are the benefits of incorporating (rather than operating your business as a sole proprietorship or partnership) and the implications that incorporating may have on your business. Then you will have to choose between either federal or provincial/territorial incorporation.

Your choice really depends on the circumstances facing you at a particular time, and these may change over time. Therefore, even if you are not ready to incorporate now, you should keep this guide for later reference as your circumstances change.

The federal business law in Canada is the *Canada Business Corporations Act* (CBCA). When the CBCA was first made law in 1975, it introduced the notion of "incorporation as of right." In other words, when you properly complete the application form set out in the CBCA (known as the articles of incorporation), provide certain information (acceptable business name, directors and address of registered office) and pay the appropriate fee, you will be issued a certificate of incorporation. Federal incorporation services are available through the Internet under the Corporations Directorate Electronic Filing Centre (http://strategis.gc.ca/corporations). This makes federal incorporation a very simple and less expensive process.

CONTENTS

- 1.1 Benefits of Incorporating
- 1.2 Implications of Incorporating
- 1.3 Benefits of Incorporating Federally

Benefits of Incorporating

The act of incorporation gives life to a legal entity known as the corporation, commonly referred to as a "company" (throughout this guide, the terms "corporation" and "company" are used interchangeably). A corporation has the same rights and obligations under Canadian law as a natural person. A corporation can acquire assets, go into debt, enter into contracts, sue or be sued, and even in some situations be found guilty of committing a crime. A company's money and other assets belong to the company and not to the shareholders.

(CBCA section 15

Once incorporated, the company's separate legal status, property, rights and liabilities continue to exist until the company is dissolved, even if one or more of its shareholders or directors sell their shares, die or leave the company.

LIMITED LIABILITY

The act of incorporation limits the liability of a company's owners or shareholders. As a general rule, shareholders of a company are not liable for the company's debts. If the company goes bankrupt, then a shareholder will not lose more than his or her investment (unless the shareholder has provided personal guarantees for the company's debts). A creditor cannot sue shareholders for liabilities (debts) incurred by the corporation, even though shareholders are owners of the corporation.

(CBCA section 45)

Note, however, that if a shareholder has another relationship with the corporation, for example, as a director, then he or she in certain circumstances may be liable for the debts or liabilities of the corporation in that capacity.

The CBCA, as well as many other federal and provincial/territorial statutes, imposes various duties on directors. In general, these duties or liabilities are imposed where the legislature has decided that a certain act or failure to act is of sufficient importance to warrant going beyond the general rule of limited liability (see Section 4.2, Duties and Liabilities of Management, of this guide).

LOWER CORPORATE TAX RATES

A corporation is taxed separately from its owners and generally at a lower tax rate. For example, active private companies in Ontario pay a combined flat tax of less than half that of an individual in the highest tax bracket on the first \$200,000 of taxable income.

Once dividends are paid out to the share-holders of a company, those dividends are taxable in the hands of the shareholders at the shareholders' personal tax rate. The corporate structure does permit some measure of tax deferral, since you decide when to pay out the company's earnings by way of dividend. Until you do so, this money is taxed only at the lower corporate rate, not at the personal rate.

Note that losses from the business cannot be written off against other personal income the owners or shareholders may have.

For more information on the tax benefits and implications of incorporation, consult the Canada Customs and Revenue Agency (CCRA) (formerly Revenue Canada) Small Canadian Business Guide. It covers such matters as business and professional income, and payroll deductions. For the CCRA office nearest you, consult the Blue Pages of your telephone directory or visit the CCRA on-line (http://www.ccraadrc.gc.ca). Your accountant or lawyer will also be able to provide you with comprehensive tax advice.

GREATER ACCESS TO CAPITAL

Raising capital is often easier for corporation than for other forms of business. For example corporations are entitled to issue bonds or sha certificates to those who invest money in the company. Other forms of business must resolely on their own money and loans for capital Reliance on these latter means of financing often limits a business's ability to expand.

Corporations often are able to borrow capit at a much lower rate than other forms of bus ness. This is probably because financial institutions and other sources of financing perceivloans to corporations as being less risk investments.

While the reasons are not wholly clear, mar financial institutions believe corporations (a opposed to partnerships or sole proprietorship are better loan risks, and therefore feel mo comfortable providing capital to corporation. They are supported in this view by studies showing that incorporated businesses are more successful than unincorporated ones.

For more information on how SMEs can finance their business venture, check out Industry Canada's Sources of Financing:
http://strategis.gc.ca/sources

CONTINUOUS EXISTENCE

Unlike a partnership or sole proprietorship, corporation does not cease to exist upon the death of its owner(s). Even if every shareholds and director were to die, the corporation wou still live on, and ownership would transfer the shareholders' heirs. This assurance of cortinuous existence gives a business greater stability, allowing it to carry out planning over longer term and to obtain more favourable financing terms.

hare structure.

Implications of Incorporating

Start-up costs are higher if you choose to incorporate rather than carry on business as a sole proprietorship or partnership. These start-up costs are directly related to the process of setting up the corporation, as well as any professional ices for legal and accounting services. While it is not necessary to obtain legal advice to incorpoate, it would certainly be worthwhile to do so if you are considering setting up with a complex

On the other hand, the higher start-up costs may be offset by the lower financing and tax ates that corporations often enjoy. Moreover, btaining financing may be easier because enders are generally more accustomed to dealing with corporations than with other forms of outsiness.

NCREASED PAPERBURDEN

carrying on business as a corporation may increase the number of filings you are required to make. For instance, the CBCA requires that you lee each year an annual return (Form 22 — see appendix H of this guide) and also inform the corporations Directorate of any changes in your coard of directors and/or location of your registered office (Forms 3 and 6 — see Appendixes C and D of this guide). You will also be required to the separate income tax returns for yourself and our company, which may lead to an increase in pour ongoing professional costs. Your company is less required to maintain certain corporate ecords (see Section 4.1, Corporate Records, of his guide).

The most convenient way to file forms required by the Corporations Directorate is via the Internet, through the Corporations Directorate Electronic Filing Centre (http://strategis.gc.ca/ corporations). This method has many advantages: it is less expensive (the incorporawhen paid on-line than when paid through any other means); it is convenient (you can file from the office or home 24 hours a day, seven days a week); and it is fast (you receive immediate acknowledgment of your filing, and there is usually same-day or next-day processing). And there's no need to worry about on-line payments using your MasterCard® or Visa® -Commerce System ensures that all transactions are processed with complete security.

Further, you will likely be required to register your company in any province or territory where you carry on business. Registration is different from incorporation. While a company may be incorporated only once, it may be registered in any number of jurisdictions to carry on business. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine what filling requirements you will have to fulfil.

REQUIRED: DIRECTORS, OFFICERS AND SHAREHOLDERS

Although a corporation is a distinct legal entity, it does not have a physical presence. It must act through people. There are three main types of persons who may have an interest in a particular corporation and through whom it acts:

- directors
- officers
- shareholders.

Individuals may hold more than one position in a company. For example, the same person may be a shareholder, a director and an officer, or even the sole shareholder, director and officer.

The directors are responsible for supervising the management of the company's business. Your company's articles of incorporation will specify the number or minimum and maximum numbers of directors. You must have at least one director.

(CBCA sections 6, 102, 105)

Officers may hold positions in the company such as president, chief executive officer, secretary and chief financial officer. They are appointed by the board of directors. The duties of the company's officers are normally found in its by-laws. In general, the directors assign the officers the responsibility to manage and execute the day-to-day business of the corporation.

Shareholders, who own the company, make decisions by passing resolutions, usually at meetings (see Section 5.3, Shareholders' Meetings, of this guide). One of the most important decisions that shareholders make is the election of directors.

If you are considering a business venture involving more than one individual (fellow shareholders), think about obtaining legal advice on entering into a shareholder agreement. Shareholder agreements can be useful in establishing the rules by which the shareholders make decisions and, most importantly, in resolving disputes among themselves. While this subject is beyond the scope of this guide, Section 5.4, Shareholder Agreements, reviews these documents in very general terms.

Benefits of Incorporating Federally

In Canada, you have the choice of 13 provincial and territorial jurisdictions and one federal jurisdiction of incorporation. While company law statutes in Canada are quite similar, incorporation under the CBCA does offer certain distinct advantages.

HEIGHTENED NAME PROTECTION

One of the reasons most often given by our clients for choosing federal incorporation is the heightened name protection provided to federal corporations, seen as an important element of the right to carry on business throughout Canada. While every incorporating jurisdiction in Canada screens potential corporate names (see Section 2.1, Choose a Name, of this guide), the level of scrutiny varies from province to province and from territory to territory. At the Corporations Directorate, we apply the most stringent of tests before granting the right to use a particular name. What does this stringency mean to you, the client? It is a quarantee that once your corporation obtains its name, that name has a protected status second only to trade-mark protection.

A related benefit is the constitutional right of a CBCA company to carry on business anywhere in Canada. "Carrying on business" includes the right to do so under your own name. All corporations, including CBCA corporations, may be required by a province or territory to register to carry on business within its borders, and to register its name for exclusive use within that province or territory. If you are incorporated

under one province's or territory's legislation and later wish to expand your business to another, a company name similar to yours may already be in use in that other province or territory. Only with CBCA incorporation can you be assured of being able to operate under your corporation's own name throughout Canada, both now and later.

LOCATION FLEXIBILITY

Incorporation under the CBCA offers flexibility not available under other jurisdictions. For instance, the CBCA does not set restrictions regarding the province or territory where your head office is located, your corporate records are maintained and your annual general meetings are held.

HIGH-QUALITY SERVICE

The Corporations Directorate takes great pride in its customer service standards. Turnaround times for various services such as incorporation are a matter of public record, as are the Corporation Directorate's results in reaching such standards.

As a service provider in a competitive market, the Corporations Directorate is always pursuing ways to make itself more accessible and convenient to clients. For example, it now offers clients an on-line service that allows you to send documents, pay fees, and receive documents and acknowledgments back from the Director under the CBCA, via the Internet.

The Electronic Business Environment initiative will ensure that the Corporations Directorate is as close as your computer. Visit our Web site at: http://strategis.gc.ca/corporations

RESOURCE FOR SMALL BUSINESSES

Industry Canada, including the Corporations
Directorate, views SMEs as the key to jobs and
economic growth in our country.

Dealing with a complex piece of legislation like the CBCA or any of the provincial/territoria incorporation statutes, can be daunting to manimidividuals. Incurring professional fees to help deal with them can often be beyond the reach of people starting out in a business venture.

The Corporations Directorate therefore has invested much time and effort in developing materials, such as this guide, designed to help the small businessperson through the steps involved in starting and operating a corporation Most of these are available in both pape and electronic formats (http://strategis.gc.ca.corporations). (See the Contacts section at the back of this guide for a list of these materials. Do-it-yourself information kits on most aspect of the CBCA, as well as policy statements and guidelines clarifying the position of the Directo under the CBCA on various matters, are also available.

New materials are continually being prepared in consultation with clients. In addition, a great deal of research and analysis is being done with respect to developing new services, policies and legislative or regulatory amendments. For example, Industry Canada has recently concluded a series of cross-country consultations on a project designed to significantly reform the CBCA and the regulations.

Regardless of your location in Canada, incorporation under the CBCA is available to you With federal incorporation comes excellence in customer service, a focus on accessibility and, of course, the status of being a federal corporation We are your jurisdiction of choice.

Submitting Articles of Incorporation

Once you have decided to incorporate, there are some simple steps you must take to set up your company. Federal corporations are formed by filing articles of incorporation with the Corporations Directorate. In filling out these basic forms, you will need to make some decisions on the name of the business, location of registered office, who will serve as directors, etc.

Appendix A of this guide contains a sample of Form 1 — Articles of Incorporation completed or a basic type of company with only one class of shares. Appendix B of this guide proides another sample of a completed Form 1, but for a company with two classes of shares.

additional forms must accompany the articles of incorporation:

- Form 3 Notice of Registered Office or Notice of Change of Registered Office (see Appendix C of this guide for a sample)
- Form 6 Notice of Directors or Notice of Change of Directors (see Appendix D of this guide for a sample).

o incorporate under the CBCA, you must correctly complete the three forms, all bearing riginal signatures (you may use copies of the forms themselves so long as the ignatures are original). Deliver them to the Corporations Directorate at the address listed in the Contacts section at the back of this guide. The Corporations Directorate will keep the documents on file and return a copy to you with your certificate of incorporation. It ill also assign your company a corporation number, which will appear on the certificate of incorporation. Your business is incorporated as of the date of your certificate of incorporation.

ou may send the three required forms by facsimile or through the Corporations irectorate Electronic Filing Centre. All forms must be submitted to the Corporations irectorate and each form must bear original signatures. Forms submitted electronically point require a signature, but you must maintain a paper copy, manually signed, in the cords of the corporation.

CBCA sections 20, 258 (1); CBCA Regulations 10.1–10.5)

ee information kits on the incorporation process, which include blank copies of the quired forms, are available from the Corporations Directorate through our Automated x Information Service, electronically from our Web site or in paper copy from our head fice (see the Contacts section at the back of this guide).

better assist you in completing these forms, the following information is presented in e same sequence as the various items appear in Forms 1, 3 and 6.

CONTENTS

- 2.1 Choose a Name
- 2.2 Locate Your Registered Office
- 2 3 Describe Your Shares
- 2.1 Set Out Restrictions on Share Transfer
- 25 Choose Your Directors
- 2.6 Set Any Restrictions on Activities
- 2.7 Other Provisions: Private Company Restrictions/Other Clauses
- 28 Sign Your Articles of Incorporation
- 29 Remit the Filing Fee

Choose a Name

(Forms 1, 3 and 6

FORM 1, ITEM 1

Every corporation needs a name. In order to protect the public and avoid confusion, this name must be distinct from the names of all other corporations. All Canadian jurisdictions regulate corporate names to ensure that the public is not misled by confusingly similar corporate names. The degree of scrutiny differs from one jurisdiction to another. The Corporations Directorate applies the most rigorous of standards for name granting in Canada.

The Corporations Directorate has prepared a brochure, Choosing a Name, and the Name Granting Guidelines, reference documents containing greater detail to help you choose a name for your corporation (see the Contacts section at the back of this guide).

WHAT'S IN A NAME?

A corporate name generally contains three elements:

- a distinctive element (perhaps a surname or other unique term)
- a descriptive element (e.g. Manufacturing, Consulting, Trading)
- a mandatory legal element (e.g. Corp., Inc., Ltd.).

NAME REQUEST

In order to see if your name of choice is available for registration under the CBCA for your exclusive use anywhere in Canada, you must obtain a Canada-biased name search called a Newly Upgraded Automated Name Search (NUANS) report. You will have to ask a search house to provide you with this report, which, on average, costs about \$75.

A search house is an independent, private sector business that can verify the availability of your corporate name choice. See the Yellow Pages of your telephone directory under "Searchers of Records." You can also find a list of service providers in your area at http://www.nuans.com

IS THE NAME ACCEPTABLE?

You or your search house will then submit the results of the NUANS search, along with your articles of incorporation, to the Corporations Directorate for review to determine if the name requested is available. Various tests are used, as explained in detail in the *Name Granting Guidelines*. Some of these tests are described below:

- Does the proposed name contain any words or phrases that are prohibited? Examples: "Parliament Hill," "RCMP," "Cooperative," "Air Canada," "United Nations."
- Is the proposed name obscene?
- Is the proposed name too general?

 Is it only a geographical name such as

 North West Inc., or only an individual's
 name such as loe Smith Inc?
- Is the proposed name so similar to the name of another corporation that both names appear to refer to the same business?

 Does the proposed corporation have a foreign affiliate with a similar name? If so, it may be necessary to provide written consent of the foreign affiliate and add an element to your proposed name to distinguish it, such as ABBA Consulting Canada Inc.

IF YOUR NAME IS REFUSED

Clients at times have been surprised by a refusa to grant a name, particularly if the NUANS report appears to indicate that there are no similar names already in existence. The Corporation Directorate sometimes must reject a propose corporate name simply because it has insuffi cient background information on which to bas a name granting decision. If the name you hav chosen is rejected, your articles of incorporatio will be returned to you, along with a request for you to explain the name more fully. To hel clients propose acceptable company names, th Corporations Directorate has developed Corporate Name Information Form. The additional information you provide in this form whe requested to do so is often enough to persuad the Corporations Directorate of the uniquenes of your chosen name. If not, you will then hav to choose an alternate name and obtain a new NUANS report, at additional expense.

PRE-APPROVAL OF NAME

If you are uncertain about the availability of the name you have chosen, you may send along you NUANS report to the Corporations Directorate for a name decision letter in advance of filing your articles of incorporation (without paying the filing fee). If your name choice is accepted the letter will reserve it for 90 days while you prepare the articles of incorporation. If the name choice is not accepted, you will be spared the effort and expense of compiling and submitting the articles of incorporation fruitlessly.

UMBER NAME

is not always necessary to order and file a UANS report. You may instead ask the orporations Directorate to assign a number for our corporation (e.g. 1234567 Canada Ltd.) at the time your articles of incorporation are rocessed. Many SMEs and holding companies noose this option when a corporate name is not apportant, thus ensuring faster processing and awing the expense of ordering a NUANS report.

Another possibility is to apply for a number ame now and later submit a NUANS report ong with articles of amendment for a change name, together with the appropriate fee, ome of our clients choose this option when ey want to be incorporated quickly, and realize ere may be a delay in finding a suitable name.

DRM 3, ITEM 1 AND FORM 6,

istate your name request in Form 3, item 1, and rm 6, item 1. If the Corporations Directorate proves your name choice, it will assign a corration number to be inserted in item 2 on both rms. For now, you will leave item 2 blank.

BCA sections 10-12; CBCA Regulations 12-28)

2.2

Locate Your Registered Office

(Forms 1 and 3)

FORM 1, ITEM 2

A CBCA company must have a registered office within Canada. The purpose of the registered office is to establish a location where official forms and notices can be delivered to the company. A post office box may not be used as a registered office address.

Name the place in Canada where the registered office is to be located. Do not set out a specific civic address in Form 1. It is a good idea to set out a fairly broad description of this place. For example, it could be Metropolitan Toronto instead of a more precise vicinity, say, the City of Oakville. Then, if your company changes addresses within the broader location, you can submit a Form 3 indicating only the change of address, for which no filling fee is required. (If you file articles of amendment later to indicate a change in the broad location, there will be a filling fee.) Note, however, that too broad a description, such as "in Canada" or "in the province of British Columbia" will lead to a rejection of your articles of incorporation.

FORM 3, ITEMS 3, 4, 5 AND 6

Copy the location information from Form 1, item 2, to Form 3, item 3.

Provide the civic address of your registered office in Form 3, item 4. This address must be situated within the metropolitan area noted in the previous item.

Since this is your first company address, simply note "not applicable" or "n/a" in items 5 and 6 of Form 3, which are to be filled in when you change your registered office address.

(CBCA sections 19, 173; CBCA Regulations — Forms 1 and 3)

2.3

Describe Your Shares

(Form 1)

FORM 1, ITEM 3

An incorporated business can issue shares, which represent ownership interest in the corporation and give the holder a say in how the company is being run through the rights attached to the shares. You must specify in your articles of incorporation how many classes of shares and the maximum number (usually unlimited) for each class your company is authorized to issue. Unless you otherwise specify here, one share entitles the holder to vote at shareholders' meetings.

Shares are property, much like a car or house. The shares and the rights that go with them (you may often hear the phrase "rights that are attached to the shares") can be transferred (sold), provided that the transfer is made in accordance with any conditions or restrictions that apply to the particular shares, discussed further below.

Under the CBCA any "person" may hold shares in any company. In addition to an individual, the definition of "person" includes legal entities that are not individuals, such as trusts, mutual funds and other corporations.

CLASSES OF SHARES

Shares in general have three inherent rights:

- the right to vote
- the right to receive dividends (if any have been declared by the board of directors)
- the right to receive the property of the corporation remaining after its dissolution.

The CBCA permits a company to distribute these three rights among more than one class (type) of shares. They can be distributed in any combination, so long as all three rights are being assigned. In other words, looking at all of the share classes together, each of these three fundamental rights is assigned to at least one class but not necessarily to all.

Appendixes A and B of this guide illustrate how different classes of shares can be named and described in the articles of incorporation.

There is no limit on the number of classes of shares you set out in the articles of incorporation. Classes may be assigned names such as preferred or common, or they may simply be alphabetized such as Class A. Class B. etc. Articles of incorporation with more than one common and preferred shares, as shown in the sample in Appendix B of this guide. The common shares have the right to vote, the right to receive dividends behind the preferred shareholders, and the right to share in the property upon dissolution. The preferred shares have no voting rights but are given the right to receive dividends and to share in the property on dissolution ahead of the common shares. If there is no difference between the shares (i.e. only one class is described in the articles), they are usually referred to as common shares

These differences in rights can be useful if you have investors with different objectives. Often voting shares are issued to the person(s) actually running the company (control shares), while special or preferred shares may be issued to partners or investors who are not involved in running the business but who have invested money in the company with the expectation of profit and income (investment shares). Thus, the common shareholder (having votes) runs the company (with the power to elect directors, approve all major activities, etc.) but may be entitled to dividends only after the preferred shareholder (the investor) is paid dividends. (CBCA sections 6, 24, 26, 42, 43, 140; CBCA Regulations — Form 1)

In most new corporations, it is probably not necessary to create different classes of shares on incorporation. If the company is a success and it is determined later that a more complex share structure is needed, professional advice should be sought to make sure that the best structure has been chosen and that the changes to your articles (called "articles of amendment") are properly prepared.

2.4

Set Out Restrictions on Share Transfer

(Form 1)

FORM 1. ITEM 4

When you are incorporating your company, you must decide whether or not to place restriction on the transfer of your company's share Restrictions on the transfer of shares permit to shareholders and directors to control who hold shares in your company, because they limit to ability of shareholders to resell their shares. But the main reason to place these in your article is to ensure that your company is a private company and so will not have to comply with the registration and prospectus filings requirement and other related procedures set out in the CBC and provincial/territorial securities law.

Restrictions on share transfer are one three restrictions required for a company to be private company. The remaining two are di cussed in Section 2.7, Other Provisions: Priva Company Restrictions/Other Clauses, of the quide.

The most common share transfer restriction provides that shares cannot be transferred by shareholder without the prior consent, by way resolution, of the board of directors or of majority of the shareholders (see Schedule I Appendixes A and B of this guide).

You should note that you have to make re erence to these restrictions on the share certil cates issued to shareholders in your company. (CBCA sections 6, 49)

Choose Your Directors

forms 1 and 6)

ORM 1, ITEM 5

et out the number of directors of the corporaon. We recommend you specify a minimum and naximum number of directors, as shown in ppendixes A and B of this guide, as a range prodes more flexibility than a fixed number and nay avoid the expense of having to submit arties of amendment should you decide later to mange the fixed number.

ORM 6, ITEMS 3, 4 AND 5

but must let the public and the Director under the CBCA know the identity and residential diresses of the directors of the company. The proporations Directorate will review your Form 6 the ensure that your company has one or more rectors and that more than 50 percent of the rectors are ordinarily resident in Canada. The lamber of directors listed in Form 6, item 3, ust be within the range indicated in Form 1, and 5.

Since you are forming a new corporation, hich has no previous directors, item 4 is not uplicable (insert "n/a"). Then restate the names ad addresses of the current directors in item 5.

BCA sections 105, 106; CBCA Regulations—

Torm 6)

2.6

Set Any Restrictions on Activities

(Form 1)

FORM 1, ITEM 6

Set out the restrictions, if any, on the company's business activities. Most companies do not provide any restriction and simply write "none" in the space provided.

2.7

Other Provisions: Private Company Restrictions/Other Clauses

FORM 1, ITEM 7

In addition to the restrictions on share transfers noted in Form 1, item 4, many companies adopt the two remaining "private company restrictions." They are inserted in the articles of incorporation to ensure that your company is a private company, and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial/territorial securities law.

Most small businesses are private companies, and virtually all start out that way. Therefore, private company restrictions should appear in the original articles of incorporation of almost every small business.

To be a private company, you must restrict the number of shareholders in your company to 50 or fewer (not including employees). This is done by adding a clause to this effect in your articles of incorporation (see Schedule II of Appendixes A and B of this guide).

To be a private company, you cannot offer shares to the public. You must add a clause to this effect also in your articles of incorporation (see Schedule II of Appendixes A and B of this guide).

Note that although share transfer restrictions are set out in a separate item in your articles of incorporation, all three types of restrictions must appear for your company to qualify as a private company.

If you later decide to offer shares publicly, these restrictions will have to be removed by submitting articles of amendment and paying the appropriate filing fee. However, you will have the comfort of knowing that all previous share issuances were valid, since there was no need to comply with registration and prospectus requirements under securities law.

2.8

Sign Your Articles of Incorporation

(Forms 1, 3 and 6)

Articles of incorporation are signed by the incorporator(s), who is (are) competent, at least 18 years of age and not in a status of bankrupt. Incorporators may — but need not — be directors or shareholders of the company after it is organized.

In addition to signature(s), Form 1 requires the names and addresses of all incorporators. Forms 3 and 6 require only one signature, along with the date and position of the informant.

All three forms must be submitted to the Corporations Directorate, either by traditional means or electronically. Each form must bear original signatures, unless submitted electronically, in which case the paper copy, manually signed, is to be maintained in the records of the corporation.

(CBCA sections 5-9)

2.9

Remit the Filing Fee

The filing fee must be submitted to th Corporations Directorate along with the three required forms. It may be paid by cast MasterCard®, Visa® or cheque made payable t the Receiver General for Canada in the amour of the applicable filing fee. Filing fees are lower when paid on-line (by MasterCard® or Visa only) than when paid through any other mean In the spring of 2001, the fees were reduced t \$200 when submitted on-line and \$250 for a other means. When payment is made through the Corporations Directorate Electronic Filin Centre, the Strategis Secure On-Line Electronic Commerce System ensures that on-line cred card payments are processed with complet security.

(CBCA Regulations — Schedule II)

Organizing Your Company

Your newly formed corporation should hold its first meeting of directors (called an organizational meeting) shortly after incorporation. The orders of business of an organizational meeting are usually to appoint officers, issue shares, make by-laws, appoint an auditor until the first meeting of shareholders, and make banking arrangements.

(CBCA section 104)

The CBCA does not specifically require an organizational meeting of shareholders. Rather, the statute requires only that the first annual meeting of shareholders be called within 18 months following incorporation.

In practice, many corporations hold a meeting of shareholders soon after incorporation, often immediately following the directors' organizational meeting. In such a case, shareholders will elect directors, confirm the corporation's by-laws and (often) waive the audit requirement and name the corporation's accountant. Rather than hold an actual meeting, many small companies conduct this initial business through written resolution instead. If so, the resolution must be signed by all of the voting shareholders of the company. (CBCA sections 133, 142)

Appendix E of this guide provides sample organizational resolutions that you can modify to suit the purposes of your own company.

CONTENTS

- 3.1 Elect Directors
- Appoint Auditors
- 34 Issue Shares
- 3.5 Make By Laws

Elect Directors

The first director(s) of the corporation is (are) named in Form 6 — Notice of Directors or Notice of Change of Directors, which is filed with your articles of incorporation. These directors hold office from the date the certificate of incorporation is issued by the Corporations Directorate until the first meeting of shareholders, at which time the shareholders will elect directors to replace the first directors.

The people elected to the board of directors at the first directors' and shareholders' meeting may be the same people listed in Form 6, which was submitted with your articles of incorporation. If new individuals are elected to the board, your company must file a new Form 6 indicating the change of directors within 15 days following that election.

The company's directors are responsible for the overall supervision of the affairs of the corporation. They approve the company's financial statements; make, amend and repeal by-laws; authorize the issuance of shares; and call and conduct directors' and shareholders' meetings. The directors in turn usually appoint officers, who are responsible for the day-to-day operations. In a small, private corporation, one individual may act as sole shareholder, director and officer.

For certain company activities, shareholders must give their approval. For others, the directors (and officers, if the directors have authorized them) can make important decisions in a corporation without shareholder approval. In this sense, shareholders rely on directors and officers

(together referred to as the "management") of their corporation to operate the company's dayto-day activities in a way that protects the shareholders' investment.

At the first meeting of shareholders and at each following annual general meeting at which an election is required (depending on the length or term of office the shareholders choose), shareholders elect directors. These directors will hold office for a term expiring no later than the close of the third annual general meeting of shareholders after such election. If no term is stated, the directors hold office until the next annual general meeting of shareholders. Once a director's term has expired, subject to what you have put in your company's by-laws, that individual can be re-elected as a director.

(CBCA sections 2, 102, 103, 106, 113)

WHO CAN BE A DIRECTOR?

A director must be:

- at least 18 years old
 - of sound mind (mentally competent)
 - an individual (a corporation cannot be a director)
 - not in a status of bankrupt.

In addition, a majority of the directors of a corporation must be individuals who are ordinarily resident in Canada. You should keep this in mind when electing directors, and also when filling vacancies. There is no requirement for a director to hold shares in the corporation, nor is there any restriction against their holding shares. (CBCA sections 2, 105)

FILL YOUR BOARD OF DIRECTORS

Your company must have at least one director. In your articles of incorporation (Form 1, item 5), you will have specified the number of directors your company is to have, either a fixed number or a range (say, from one to ten).

It sometimes happens that because of dearesignation or disqualification of a director directors, there is a vacancy on the board directors. If this occurs, provided that the number of directors elected constitutes a quore (the minimum number of directors required to present at a meeting, as specified in your company's by-laws), the board may exercise all poers of directors. Also, the directors remaining the board may fill the vacancy or vacancies the board.

The directors may also wish to increase th number or change the minimum number directors. To do so, they will need approval of t shareholders to amend the articles of incorportion. Alternatively, they may appoint addition directors between annual general meetings, such provision is made in item 7 of the articles incorporation (see Schedule II of Appendixes and B of this guide).

Shareholders may decide that, for any varige of reasons, they want to remove a director that previously elected. This is a simple program: it generally requires the approval of majority of the votes represented at a meeting shareholders called for the purpose of removious the director.

(CBCA sections 2, 106, 108, 109, 111)

If the composition of your board of directors changes, either through the filling of a vacane or the removal of a director, your company mufile Form 6 — Notice of Directors or Notice of Change of Directors within 15 days following that change.

ppoint Officers

nce elected, one of the first activities idertaken by directors is the appointment of ficers of the corporation. The officers designated in be president, secretary or any other office with wish. These officers take responsibility for e day-to-day operations of the company.

The CBCA does not impose any restrictions on no can be an officer of your corporation, other an to require officers to be individuals. Officers ay or may not be shareholders, and they may or ay not also be directors of the corporation. ere is no reason why the same individual nnot act as a director, officer and shareholder simultaneously. In fact, for many small sinesses, one individual is the sole director, ficer and shareholder.

BCA sections 2, 121)

3.3

Appoint Auditors

At the organizational meeting, directors can also appoint the company's first auditor(s), who will hold office until the first shareholders' meeting; thereafter the shareholders appoint the auditors. Once the shareholders meet, however, the shareholders may choose to waive the audit requirement, provided that all voting and non-voting shareholders agree. Most companies will retain the services of an accountant to prepare the financial statements.

A company must keep up-to-date financial statements. Copies do not have to be filed with the Director under the CBCA, unless the corporation distributes its shares to the public (that is, it is listed on a securities exchange).

(CBCA sections 104, 160–163; CBCA Regulation 49)

All financial statements must be prepared in accordance with Generally Accepted Accounting Principles, as set out in the CICA [Canadian Institute of Chartered Accountants] Handbook — Accounting and modified from time to time.

Copies of your financial statements must be given to the shareholders at least 21 days before your company's annual general meeting each year. (CBCA sections 155, 157, 158, 159; CBCA Regulations 44, 46)

3.4

Issue Shares

One of the first corporate activities undertaken by a company following incorporation is the issuance of shares. Persons become shareholders when a company "issues" shares in that person's name, or records a transfer of previously owned shares to a person. Generally, unless you provide differently in your articles of incorporation or by-laws, shares can be issued whenever, to whomever and for whatever value the board of directors of your company decides.

Issuing shares is not complicated. Directors can decide to issue shares by majority vote. The directors' decision (called a resolution) to issue the shares must be recorded in the company's minute books. A share cannot be issued until full consideration (payment) for that share is actually received by the corporation. This consideration is generally in the form of money, although it can also be in the nature of services or property given to the company. The consideration paid for the shares, in whatever form has been agreed to by the directors, is the individual's investment in the corporation

Once a share has been issued, the shareholder is entitled to a share certificate. This certificate must state the corporation's name, as set out in the articles of incorporation. It also must set out the name of the shareholder and the number and class of shares it represents. Finally, if your articles of incorporation contain restrictions on the transfer of shares in your company (as do most small companies; see Section 2.7, Other Provisions: Private Company Restrictions/Other Clauses, of this guide), there must be a reference to these restrictions on the share certificate itself.

Shares are issued without nominal or share value. No monetary value is set out on the certificate.

(CBCA sections 6, 25, 26, 49, 50)

Make By-Laws

You may also want to make some by-laws for the internal operations of your company. By-laws are basically an agreement between the company and its shareholders, setting out the rules by which the corporation will function. For example, you may wish your company to have some rules that are not dealt with in the CBCA. For some rules, even if they are covered in the CBCA, you may wish to modify them.

A sample by-law is presented in Appendix F of this guide. You may modify it to suit the needs of your company.

For instance, the CBCA provides that the location of shareholders' meetings can be set by the directors, unless the by-laws set out a different rule. One possibility is that shareholders' meetings will always be held at the registered office of the corporation.

By-laws can also modify other powers given to the directors of the company under the CBCA. For example, instead of the directors having the sole authority to issue shares, the by-laws could make all share issuances subject to shareholder approval.

By-laws can also deal with matters such as the appointment, qualification and duties of the officers of the company. Details could spell out who sets the salaries for directors and officers. the procedure for calling directors' and shareholders' meetings, and what minimum number of people have to be present at meetings to establish quorum for business to be legally transacted. Other topics often found in by-laws include the date of the corporation's financial vear-end, banking arrangements, indemnification provisions and salary or other remuneration of directors and officers. Some companies also adopt a particular set of rules of conduct for directors' and shareholders' meetings, such as Robert's Rules of Order.

Unless your by-laws provide differently, the directors have the power to make, repeal and amend by-laws. All by-laws and by-law changes (including repeal) require shareholder approval. This approval must be received at the first regular meeting of the shareholders after the by-law has been passed by the directors. Even though a by-law does not receive approval until that meeting, the effective date of the by-law is the date of original passing by the directors. For a company with only one shareholder/director/officer, meetings are not necessary, and these approvals may be done through written resolution only (see Appendix E of this guide).

(CBCA sections 25, 103, 104, 114, 121, 125, 132, 139–141)

Complying With the CBCA

Once your company is set up and properly organized, there are a few simple steps to take each year to ensure that your company stays in compliance with the CBCA.

This section deals only with filings under the CBCA. You will also have to make other filings on behalf of your corporation, for example, to the Canada Customs and Revenue Agency. In addition, companies must comply with registration requirements in the province(s)/territory(ies) in which they carry on business activities. These registrations often are required within a few weeks after incorporation. You should communicate with the appropriate provincial/territorial authority in this regard.

CONTENTS

- 4.1 Corporate Records
- 4.2 Duties and Liabilities of Management
- 4.3 Meetings of Your Board of Directors
- 4.4 Annual General Meetings of Shareholders
- 4.5 Common Filing Requirements

Corporate Records

Your company is required to keep certain corporate records at the registered office of the corporation or elsewhere in Canada as set out in your by-laws. These records may be examined by the shareholders and creditors, such as suppliers, of the company on request. These records are:

- articles, by-laws and a copy of any unanimous shareholder agreements
- minutes of meetings and resolutions of shareholders
- copies of Form 6 Notice of Directors or Notice of Change of Directors that have been filed
- a share register showing the names and addresses of all shareholders and details of shares held.

(CBCA sections 20-22, 50)

Although you are not required to maintain a minute book under the CBCA, you will often hear this term. Corporate records are commonly maintained in a single book referred to as the minute book of the corporation. These are available at legal stationers and search houses.

4.2

Duties and Liabilities of Management

Because of the scope of the authority that is given to directors and officers, the law imposes a wide range of duties and liabilities on the managers of a corporation. These duties arise under the CBCA, other federal and provincial/territorial statutes and, historically, through court decisions. In general, these duties reflect the position of trust that management holds in relation to the company and its owners, the shareholders.

Among the most important of the duties set out in the CBCA is the duty of care. This duty requires directors and officers to act honestly, in good faith and in the best interests of the company. They must exercise at least the level of care and diligence that a reasonable person would exercise in comparable circumstances. This duty makes it clear that directors and officers must act in the interests of the company, as opposed to their own personal interest.

Directors and officers may not avoid liability because they did not know what the company was doing. In other words, there is a positive obligation on each director and officer to be informed of what is going on within the scope of his or her authority, and to make sure that what is being done is legal and in the best interests of the company. In doing so, the CBCA permits directors to rely on the reports of experts, such as financial statements or legal opinions, in certain circumstances.

The CBCA also seeks to avoid conflicts between the interests of the company and those of the directors or officers. For instance, directors and officers are required to disclose in writing any personal interest they may have in a contract with the corporation. Failure to disclose could be grounds for a court to set aside the contract upon application by the company or a

shareholder. The CBCA also imposes certain specific liabilities; for instance, directors are person ally liable for up to six months' worth of unpai wages to employees of the company and for an unpaid source deductions.

Because of the extent of liability imposed of the directors and officers of your company, you may want to consider some means of protection. For instance, your corporation may purchast insurance for directors and officers against and liability for which they become responsible whe acting as a director or officer. The company materials also indemnify (i.e. compensate for loss; promist to pay for any costs incurred by a person in certain circumstances) its directors and officers for costs they have to pay, except where the director officer has failed to act honestly and in the company's best interests.

(CBCA sections 118-124)

Directors must at all times remain free the assess what is in the best interests of the company and to act on this assessment. For this reason, directors cannot prepare an agreement, among themselves in advance on how they will act in a given future situation.

However, all of the shareholders of the company may enter into a unanimous shareholde agreement that transfers some or all of the directors' responsibilities and powers to the shareholders. If power is transferred away from a director, that director cannot be responsible for not exercising that power. (Unanimous share holder agreements are discussed in more detain Section 5.4, Shareholder Agreements, of this guide.)

Meetings of Your Board of Directors

ince directors are responsible for overseeing the perations of the company, there are many occaions when a directors' meeting may be necesary. After the initial organizational meeting, oards of directors of most companies meet on a egular basis, such as monthly, quarterly or even nnually, depending on the needs of your comany, to oversee the operations of the business. irectors may also need to meet to conduct speal business. For example, directors' meetings re required to replace retired directors or offiers, make by-laws, issue shares or recommend a gnificant change in the way the corporation onducts its business. Directors must also meet to all the annual general meeting of shareholders nd to approve financial statements. Immeditely after the annual general meeting of nareholders, the directors just elected meet to ppoint officers for the coming year.

Meetings of the board can be held whenever and wherever the board wants, unless the byws or articles of your company say differently. quorum of the directors must be present and a ajority of them must be resident in Canada.

ne CBCA permits directors to conduct business or using signed resolutions instead of holding etual meetings. This can be very useful in a mall business having only a few directors or even one). In addition, your directors may articipate in a meeting by way of telephone to other electronic means, so long as all particiants in the meeting can communicate fully.

4.4

Annual General Meetings of Shareholders

Annual general meetings are meetings of the shareholders of the corporation, which must be held each year during the company's existence. The directors of a company must call the first annual general meeting within 18 months of its date of incorporation, and some corporations hold this meeting following the organizational meeting of directors. After the first meeting, the corporation must hold a general meeting within 15 months of its previous annual general meeting.

At the annual general meeting of share-holders, provided a quorum is present, the shareholders appoint auditors, elect directors, review financial statements and raise any other business they wish to address.

Appendix G of this guide provides a sample notice of an annual general meeting to be held, together with a sample of the minutes of such a meeting. The agenda and the proceedings can be modified from this sample according to the circumstances for your own company to ensure that all of the required business is conducted.

The annual general meeting should be held at the place in Canada where the registered office is situated or as specified in your company's bylaws or such other place as the directors determine. Your company must send notice of the time and place of the meeting to shareholders entitled to vote not more than 50 and not less than 21 days before the date of the meeting. For example, if the meeting is to take place on May 20, the notice should not be sent sooner than April 1 nor later than April 30. Unless the articles of incorporation otherwise provide, each share to one vote.

Section 136 of the CBCA permits shareholders to waive notice of meetings (attendance is generally deemed to be waiver of notice). This is useful for companies having only one or two shareholders. Furthermore, if all of the shareholders of a corporation entitled to vote sign a written resolution dealing with items usually covered at the meeting, no meeting is necessary.

A shareholder entitled to vote has the right to appoint a proxy holder to attend and vote at any shareholders' meeting on behalf of that shareholder. For a company having 15 or more shareholders, special rules apply. For example, management would have to send a form of proxy and management proxy circular along with notice of a meeting, but these rules are beyond the scope of this guide (see Section 5.3, Shareholders' Meetings, of this guide for more information on shareholders' meetings in private companies).

(CBCA sections 132, 133, 135, 136, 139, 140; CBCA Regulations 32–36)

Common Filing Requirements

The table below illustrates the CBCA filings you will, or may, be required to make. Note that the list does not address many possible changes to your articles nor requirements specific to public companies.

ANNUAL RETURN

Every corporation must submit an annual return to the Corporations Directorate using Form 22 —

Annual Return (see Appendix H of this guide for a sample form correctly filled out), either by traditional means or electronically through the Corporations Directorate Electronic Filing Centre.

The annual return contains information such as:

- the corporation's taxation year-end date
- changes in directors' or registered office address
- whether the corporation has 15 or more shareholders.

Annual returns must be filed within six months of the taxation year-end of your company.

Industry Canada and the Canada Customs and Revenue Agency permit you to file your annual return information together with your corporate income tax return using Schedule 80 to the T2 Corporate Income Tax Return. Since January 1, 1999, the date for filing your annual return has changed to within six months of the taxation year-end of your corporation, the sam date by which your corporate income tax return must be filed.

An annual return filing fee must be submitted to the Corporations Directorate along with your annual return. It may be paid by case MasterCard®, Visa® or cheque made payable the Receiver General for Canada in the amout of the applicable filing fee. The annual returns the submitted that the submitted in the submitted that the submitted

COMMON FILING REQUIREMENTS

Event or Occurrence	Action Required	Form	CBCA Reference
The company changes the civic address of its registered office within the place in Canada where its head office is located	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 3 (see Appendix C of this guide)	s. 19
The company changes the civic address of its registered office outside the place in Canada where its head office is located	Submit articles of amendment and notify the Director under the CBCA within 15 days after the change (fee of \$200)	Forms 3 and 4 (articles of amendment)	ss. 19 and 173 <i>(1)(b)</i>
The company changes directors, within the minimum and maximum numbers provided in Form 1	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Appendix D of this guide)	ss. 106, 113
The company changes directors and changes the minimum and/or maximum numbers provided in Form 1	Submit articles of amendment and notify the Director under the CBCA within 15 days after the change (fee of \$200)	Forms 4 and 6 (articles of amendment)	ss. 106, 112, 113, 173 <i>(1)(m)</i>
There is a change in the names or residential addresses of the company's directors	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Appendix D of this guide)	s. 113
Annually	File an annual return with the Director under the CBCA within six months of its taxation year-end (fee of \$20 when paid on-line through the Corporations Directorate Electronic Filing Centre; fee of \$40 when paid by any other means)	Form 22 (see Appendix H of this guide)	s. 263; Regulations Schedule II

Note: Fees may be paid by cash, MasterCard®, Visa® or cheque made payable to the Receiver General for Canada.

MasterCard® or Visa® only) than when paid hrough any other means. In the spring of 2001, he fees were reduced to \$20 when submitted on-line and \$40 for all other means. When paynent is made through the Corporations Directorate Electronic Filing Centre, the Strategis because On-Line Electronic Commerce System insures that on-line credit card payments are processed with complete security.

CBCA section 263; CBCA Regulations ichedule II)

complete list of current fees is available from he Corporations Directorate — see the Contacts ection at the back of this guide.

ERTIFICATE OF COMPLIANCE

ou may be required at some point in time to rovide to a supplier, banker, etc. a certificate of ompliance for your company. A certificate of ompliance is issued by the Director under the BCA at the request of the company or another iterested party. It states that the company in uestion has paid all fees and has filed specific orms required under the CBCA.

The need for a certificate of compliance usually arises in the context of a financing transactor such as a loan. Another example is when omeone is making a substantial equity investment and wants assurance that your corporation as not been dissolved.

ADMINISTRATIVE DISSOLUTION AND REVIVAL

It is important to comply with the filing requirements set out in this section, especially the annual return

In the case of repeated or persistent non-compliance with the Act or non-payment of fees, the Director under the CBCA could dissolve your corporation, which would end its existence. This may happen, for example, if your company fails to file its annual return (Form 22 — see Appendix H of this guide for a sample).

Notices from the Corporations Directorate pertaining to non-compliance under the CBCA are sent to the address on record. If a response is not received, perhaps because the notices cannot be delivered due to the corporation's failure to submit the correct address in Form 3, the Director under the CBCA could proceed with a dissolution, even though the corporation does not want to be dissolved.

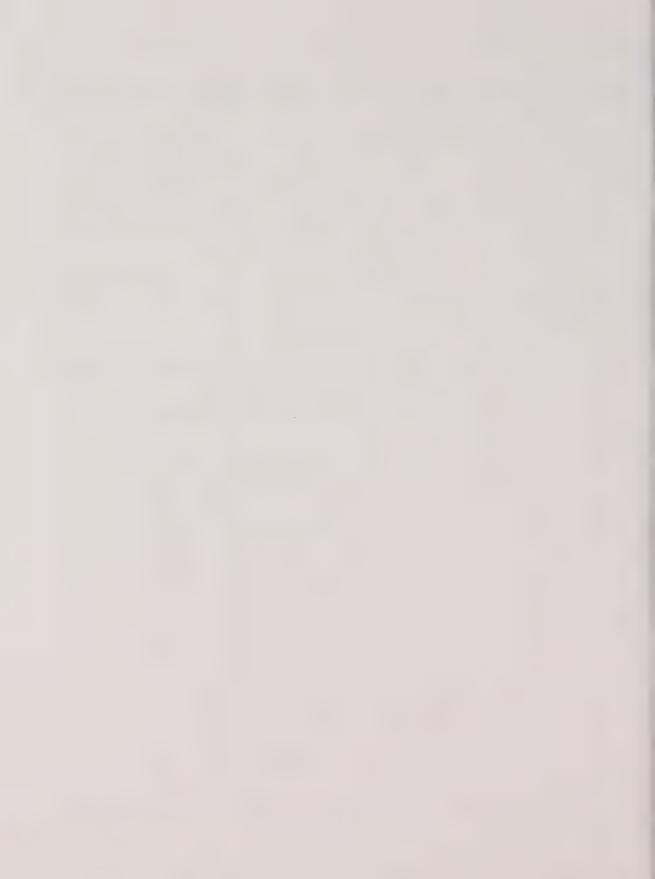
The Corporations Directorate will make several attempts to have the company correct any filing deficiencies by sending out notices of noncompliance (provided, of course, that it has the correct mailing address on file). If the company still does not comply (for example, by filing the outstanding form(s) after notice has been sent), the Director under the CBCA will issue a certificate of dissolution, and the corporation will cease to exist.

For a corporation to become re-activated, it will have to go through a procedure known as revival. It will have to remedy the non-compliance, file articles of revival and remit the prescribed fee for revival.

(CBCA sections 209, 212-214

An information kit detailing all the required steps for a revival is available from the Corporations Directorate (see the Contacts section at the back of this quide).

There are additional circumstances under which the Director under the CBCA has the power to dissolve corporations. Alternatively, the Director under the CBCA may seek compliance through civil court action for specific acts of non-compliance.



Shareholders

A person who owns shares in a corporation is called a shareholder. Generally speaking and unless the articles of incorporation provide otherwise (Form 1, item 3), each share in the corporation entitles the holder to one vote. The larger the number of shares held, the larger the number of votes a shareholder generally can exercise.

An active company must have at least one class of shares and at least one shareholder. Shareholders have limited liability in the corporation, and generally are not liable for the company's debts. On the other hand, shareholders generally do not actively run the corporation.

In many small businesses, the shareholders, directors and officers are the same people. A shareholder who is also a director or officer does assume certain liabilities, as described in Section 4.2, Duties and Liabilities of Management, of this guide.

The CBCA provides shareholders with access to certain information about the corporation. For example, shareholders are entitled to inspect (and copy) the corporate records, and are entitled to receive the company's financial statements at least 21 days before each annual general meeting. Shareholders elect directors, approve by-laws and by-law changes, appoint the auditor of the corporation (or waive the audit requirement) and approve certain major or fundamental changes to the corporation, its structure and business. These changes include matters such as a sale of all or substantially all of the assets of the business, a change of name, and articles of amendment altering share rights or creating new classes of shares. (CBCA sections 21, 106, 155, 159, 162, 163, 173)

CONTENTS

- 5.1 Becoming and Ceasing to Be a Shareholder
- 5.2 Shareholder Resolutions
- 5.3 Shareholders' Meetings
- 5.1 Shareholder Agreements

Becoming and Ceasing to Be a Shareholder

A person becomes a shareholder by acquiring shares from the company or an existing shareholder. The basic ways of becoming a shareholder are:

- purchasing shares that have not previously been issued by the company (referred to as "buying shares from treasury"), either on incorporation or later
- buying shares in the company from an existing shareholder (in accordance with the terms set out in your articles) and having the company register the transfer.

A person ceases to be a shareholder once his or her shares are sold either to a third party or back to the company (all in accordance with the articles of your corporation), or when the company is dissolved.

(CBCA sections 25, 48, 49, 76, 213)

5.2

Shareholder Resolutions

Broadly speaking, shareholders exercise most of their influence over how the corporation is run at shareholders' meetings through resolutions.

Note that the term "resolution" can take on different meanings depending on the context:

- a written record of decisions taken in lieu of an organizational meeting (see Appendix E of this auide)
- a decision made at an annual or special meeting based on the required number of votes in favour by shareholders entitled to vote (see Appendix G of this quide)
- a document signed by all shareholders in lieu of a meeting of shareholders.

There are two main types of shareholder resolutions:

- Ordinary resolutions: require a simple majority (50 percent plus 1) of votes cast by shareholders. Examples are decisions shareholders take on a regular basis, such as electing directors and appointing
- Special resolutions: must have the approval of two thirds of the votes cast.
 Examples are unusual activities such as changing the corporation name, selling all or substantially all the company's assets or changing the primary line of business (i.e. important questions that affect the company as a whole).

(CBCA sections 2, 142)

5.3

Shareholders' Meetings

Shareholders usually exercise their influence over how the corporation is run at shareholders meetings (see also Section 4.4, Annual General Meetings of Shareholders, of this guide). The CBCA and your company's articles and by-law set out rules about meetings, including minimum notice periods and who can attend and vote. It order for the decisions (resolutions) taken at the meeting to be binding, these detailed requirements must be met. Specific additional rules apply for companies with 15 or more shareholders which are not dealt with in this guide.

In a small business, the same one or two people may be acting as directors, officers and share-holders, and meetings will not necessarily occur. One- or two-person companies often prefer to use written resolutions rather than hold a formal meeting. If every shareholder signs a written record setting out the terms of the necessary resolutions, then a shareholders' meeting need not be held.

A shareholder's ability to attend and vote at a meeting depends on the rights attached to the class of shares that person is holding. As a general rule, shareholders entitled to vote at a meeting are entitled to attend the meeting. (While the CBCA provides holders of non-voting shares the right to attend certain meetings and vote on certain fundamental issues, a discussion of these issues is beyond the scope of this guide.) (CBCA sections 132–135, 140)

ALLING A SHAREHOLDERS' EETING

rectors have the duty to call meetings of votg shareholders and, in special circumstances, all shareholders. Shareholders who own 5 pernt of the issued voting shares of a company in require the directors to call a meeting of archolders. Shareholders' meetings are norally called by the directors of the corporation. The board is required by the CBCA to call an inual general meeting within 15 months of the ecceding one.

BCA sections 133, 143)

practice, many companies tend to hold nual meetings around the same time ch year, and usually within six months of e company's fiscal year-end.

Directors must send out the notice of meetis to shareholders within the time frame set
it in the CBCA or as modified by your by-laws.
Shareholder can waive notice of a meeting.
The endance at the meeting is considered waiver
notice, unless the shareholder attends the
eting to complain about improper notice.

The notice for a special meeting (see next tion) not only must state the time and place the meeting, but also must provide the shareders with enough information to know in rance what they will be asked to consider and e on at the meeting.

CA sections 2, 132–136)

CA sections 139-1411

AREHOLDERS' MEETING QUIREMENTS

program of shareholders must be present or resented at the meeting, or no business can conducted that is binding on the company. A prum is the minimum number of votes alred to be represented at the meeting, which majority, unless your by-laws provide a lower ligher quorum.

The company must keep a written record of the meeting. The record usually includes information such as where and when the meeting was held, who attended and the results of any voting. These records are commonly referred to as minutes and are kept in the corporation's minute book.

(CBCA sections 20, 21, 142)

If all shareholders sign a written resolution setting out the terms of their resolutions instead of holding a meeting, these also should be kept in your minute book.

Under the CBCA, there are two specific types of shareholders' meetings:

- Annual general meetings: Under the CBCA, your company must hold an annual general meeting within 18 months of its incorporation, and thereafter within 15 months of the previous annual general meeting. At an annual general meeting, the following four items must be on the agenda:
 - consideration of the financial statements
 - appointment of the auditor
 (unless all shareholders have agreed not to appoint an auditor)
 - -election of directors
 - any other business matters that come up.

Although the term "any other business" is quite vague, directors cannot deliberately leave an item off the agenda (which would have the effect of preventing shareholders from preparing for the discussion) and then bring the matter up as "other business." Rather, this is the place on the agenda for shareholders to raise and discuss matters of concern to them.

• Special meetings: Meetings of the shareholders may also be called to deal with specific questions or issues, such as whether to approve a fundamental change (e.g. change of name) that the directors of the company are proposing. Generally, the directors will call a special meeting of the shareholders when they want to take a particular activity or deal with a special issue requiring shareholder approval, such as amendments to articles.

(CBCA section 133

As a very general rule of thumb, ordinary resolutions are required at annual general meetings, and special resolutions are required at special meetings.

It is often convenient to combine special meetings with annual general meetings. Under the CBCA, this process is allowed, but notice of the meeting must clearly indicate that there will be special business to consider.

(CBCA sections 2, 132-136, 139, 140-142)

Shareholder Agreements

A shareholder agreement is an agreement entered into by some, and usually all, of the shareholders of a corporation. The agreement must be in writing, and must be signed by the shareholders who are a party to it. While shareholder agreements are specific to each company and its shareholders, most of these documents deal with the same basic issues.

The relationship among shareholders in a small company tends to be very much like a partnership, with each person having a say in the significant business decisions the company will be making. Obviously, a shareholder agreement is not necessary in a one-person corporation. However, you may consider entering into a shareholder agreement if you have more than one shareholder, or when you want to bring in other investors as your business grows.

MANAGEMENT OF THE COMPANY AND RELATIONS AMONG SHAREHOLDERS

Under the CBCA, in the absence of a shareholder agreement, the board of directors has control over the management of the company: Because directors are elected by ordinary resolution of the shareholders, if one of them has more than 50 percent of the votes, that shareholder alone can decide who will sit on the board. In a small corporation, minority shareholders (those with a small stake in the company) may not feel adequately protected by a board of directors elected by a majority shareholder and may want to negotiate a shareholder agreement to more closely protect their investment in the company.

A very common shareholder agreement provision for a small company gives all the shareholders the right to sit on the board of directors, or nominate a representative for that purpose. Each shareholder agrees in the document to vote his or her shares in such a way that each one is represented on the board, thus ensuring all shareholders an equal measure of control.

Shareholder agreements may also provide that certain significant decisions require a higher level of shareholder approval than is set out in the CBCA. For example, an agreement might provide that a decision to sell the business must be approved unanimously by all shareholders, whereas the CBCA requires only a special resolution (approval by two thirds of shareholders).

Shareholder agreements may set rules directing how the future obligations of the company will be shared or divided. Say each shareholder invested a minimal amount to get the business going, looking to bank loans or other credit for growth. The shareholders may agree that, when other means of raising funds are not available. each shareholder will contribute more funds to the company on a pro rata basis. This means simply that the extent of a shareholder's obligation to fund the corporation would be determined by the extent of that shareholder's ownership interest (the percentage of shares held) in the company. So, three equal partners starting a company (with equal shares held by each) might sign a shareholder agreement that each will be responsible to fund one third of any future obligations of the company through the purchase of more shares.

Other rules often found in shareholder agree ments govern the future purchase of shares in company when no funding is needed. In such case, the shareholders could agree to mainta the same percentage of holdings among then selves. Three equal partners could agree that is shares in the corporation will be issued without the consent of all shareholders/directors. In the absence of such a provision, two shareholder directors could issue shares by an ordinary special resolution (because they control two thirds of the votes) to themselves without including or requiring the permission of the thirds haveholder/director.

RESTRICTIONS OR PROHIBITIONS ON SHARE TRANSFER

Restrictions on share transfer are used to enable shareholders to control who will become shareholder in their company.

By placing such restrictions in a shareholder agreement instead of in your articles of incorporation, shareholders can remove or alter the without the company having to file articles of amendment. Note that these are separate from the restrictions placed in your articles of incorporation as part of the private company restrictions (see Section 2.4, Set Out Restrictions on Share Transfer, of this guide).

Of course, the most effective way to ensu ownership control is a provision prohibiting share transfers entirely, or for a certain period time (such as five years). Because this is such a extreme measure, however, it is rarely seen.

Another provision is the right of first refusive which basically states that any shareholder who wants to sell his or her shares must first off those shares to the other shareholders of the company before selling them to an outside part

Shareholder agreements may also set out les for the transfer of shares when certain ents occur, such as the death, resignation, disssal, personal bankruptcy or divorce of a areholder. The restrictions can include detailed ans governing when a shareholder can or must Il his or her shares, or what happens to those ares after the individual shareholder has left. e shareholder agreement, for example, may quire that the shares be transferred to the maining shareholders or to the corporation. en at fair market value. These provisions are mplex, and usually set out mechanisms for the nsfer, including notice and how the transfer ce will be funded. Operators of small busisses who enter into agreements with this sort exit provision sometimes purchase life insurce to fund the payment obligations of the

Other shareholder agreement provisions may alude non-competition clauses, confidentiality reements, dispute resolution mechanisms and tails respecting how the shareholder agreement itself is to be amended or terminated.

rty who will be purchasing the shares.

areholder agreements are voluntary. If you cose to have one, the shareholder agreement ould reflect the particular needs of your commy and its shareholders. While undoubtedly be best advice is to keep your agreement as apple as possible, we strongly suggest that you nsult your professional advisors before signary shareholder agreement.

SPECIAL AGREEMENTS

The CBCA also deals specifically with two particular types of shareholder agreements:

Pooling agreements: The CBCA provides that shareholders may, in a written agreement between two or more shareholders, agree on how their respective shares will be voted on any particular matter. Shareholders could enter into an agreement solely for the purpose of determining, for instance, how they will vote their shares to elect directors. Shareholders may also decide to include a pooling provision in a larger shareholder agreement.

(CBCA subsection 146(1)

• Unanimous shareholder agreements: The CBCA also permits all of the shareholders of the company, in a written agreement, to transfer all or some of the powers of the directors to the shareholders. Where there is only one shareholder, that person may sign a written declaration that has the same effect as a unanimous shareholder agreement. The wording must be very precise: an agreement signed by all of the shareholders does not fit the definition of a unanimous shareholder agreement if it does not deal with the transfer of powers, and the responsibilities that go along with them, from the directors to the shareholders.

(CBCA subsection 146(2))

Frequently Asked Questions

WHO CAN FORM A CORPORATION?

One or more competent individuals who are 18 years of age or older and who are not in a status of bankrupt may form a corporation under the Canada Business Corporations Act (CBCA). Similarly, one or more companies or "bodies corporate" may incorporate a company. These persons are called incorporators. An incorporator (individual or corporation) may form a corporation whose shareholders, officers and directors are other persons, or may serve as the sole director, officer and shareholder of the company. An incorporator is also responsible for organizational procedures, such as filing the articles of incorporation and designating the first directors.

A company can be incorporated under the laws of only one jurisdiction. You must decide whether to incorporate federally under the CBCA, or under the laws of a province or territory instead of the CBCA. Requirements vary, and you should contact the jurisdiction under which you wish to incorporate for precise details. This guide contains information specific to the CBCA, the federal legislation governing incorporation.

WHAT KINDS OF BUSINESSES CAN INCORPORATE UNDER THE CBCA?

Almost any type of business may incorporate under the CBCA. However, banking, insurance, and loan and trust companies, as well as non-profit corporations, are incorporated under different statutes.

There are no restrictions such as minimum company size on the businesses that may incorporate under the CBCA. While all provinces and territories have similar legislation for companies operating within their borders, only the CBCA is national in scope.

Many small businesses incorporating under the CBCA have the intention (either now or sometime in the future) of operating in more than one province or territory. They choose to incorporate under the CBCA now in order to simplify their business relations later if they decide to expand operations or grow larger.

SHOULD LINCORPORATE?

This depends on your particular situation. The most common forms of business organization are the sole proprietorship, partnership and corporation. Each of these forms of business has its own advantages and disadvantages, and the most appropriate form for you as a small business owner will depend on your particular circumstances. Some of the benefits of incorporating are set out in Section 1.1, Benefits of Incorporating, of this guide. This guide focusses on incorporation for small businesses under the CBCA.

DO I NEED TO HIRE A LAWYER TO INCORPORATE?

No. A lawyer may provide valuable advice, but is not a requirement for incorporation.

IF I DECIDE TO INCORPORATE, WHAT NEXT?

Federal corporations are formed when y file articles of incorporation with Indus Canada's Corporations Directorate, and certificate of incorporation is issued. Fill of the blank forms accompanying this guid and send them to the address listed in the Contacts section at the back of this guide. Samples of correctly filled forms are included in the Appendixes of this guide for you convenience. You may modify the samp to suit your own specific circumstances.

So long as the forms are filed prope and the appropriate fee is paid, the Direct under the CBCA will issue a certificate incorporation.

HOW LONG DOES IT TAKE TO GET INCORPORATED?

The Corporations Directorate operates de ing normal business hours five days a week We can usually issue your incorporation papers within five business days, when the are delivered to our office by post. Fast service is usually available when you delive your documents by hand. When you file on-line through the Corporation Directorate Electronic Filing Centre, we confer very expedient (same-day or next day) service.

HOW MUCH DOES IT COST TO INCORPORATE?

Filing fees for articles of incorporation under the CBCA are lower when paid on line than when paid through any oth means. In the spring of 2001, the fees we reduced to \$200 when submitted on-line and \$250 for all other means. In addition

unless your company is going to request a numbered name, you will have to file a NUANS name search report (see Section 2.1, Choose a Name, of this guide), which may be obtained from an independent search house (the cost is approximately \$75 per search). Of course, if you obtain legal advice when completing your articles of incorporation, there will be professional fees in addition to your filing fee.

I HAVE TO GET A CORPORATE SEAL?

A corporation under the CBCA is not required to have a seal. If you wish to have a corporate seal for your corporation, you may purchase one from a legal stationery store or commercial supplier.

I INCORPORATE FEDERALLY, DO I WE TO REGISTER OR FILE ANYTHING TH THE PROVINCES OR TERRITORIES?

Yes. Whether you incorporate federally or provincially/territorially, you will likely be required to register your business in any province or territory where you carry on business. Although Industry Canada is working with provincial and territorial officials to decrease this burden, each province and territory right now has individual requirements for registering corporations from outside its borders. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine which obligations may be placed on your corporation (http://strategis.gc.ca/SSG/ cs01134e.html).

WHERE CAN I GET MORE INFORMATION ABOUT INCORPORATING?

The Contacts section at the back of this guide contains mailing addresses, phone numbers and other contact information of knowledgeable corporate specialists in our offices who can respond to your specific requests, as well as of other federal government resources for small businesses

WHAT ARE THE ADVANTAGES OF INCORPORATING ON-LINE?

Filing on-line through the Corporations Directorate Electronic Filing Centre (http://strategis.gc.ca/corporations) has many advantages: it is less expensive (the incorporation and annual return filing fees are lower when paid on-line than when paid through any other means); it is convenient (you can file from the office or home 24 hours a day, seven days a week); and it is fast (you receive immediate acknowledgment of your filing, and there is usually same-day or next-day processing).

IS IT SAFE TO PAY FEES ON-LINE?

Yes. There's no need to worry about on-line payments using your MasterCard® or Visa® — the *Strategis* Secure On-Line Electronic Commerce System ensures that all transactions are processed with complete security.

HOW DO I FILE ARTICLES OF INCORPORATION FOR A CBCA CORPORATION ON-LINE?

Go to the Corporations Directorate Electronic Filing Centre (http://strategis.gc. ca/corporations). Register with the Strategis Secure Server Facilities to access the Electronic Filing Home Page, then choose Articles of Incorporation from the list of menu choices available. Select one of the four incorporation options available: a numbered corporation; a corporation with a pre-approved name; a corporation for which name approval is sought and a NUANS report attached; or a numbered name corporation that has been pre-reserved. Then follow the user-friendly instructions provided.

DO ON-LINE DOCUMENTS HAVE TO BE SIGNED?

When documents are filed in electronic format, an original signature is not required. However, originally signed copies of all documents must be maintained in the records of the corporation.

Glossary of Terms

Annual Return: Form 22 under the CBCA (see Appendix H of this guide). This form is not to be confused with annual financial statements or annual reports.

Articles of Incorporation: Form 1 under the CBCA (see Appendixes A and B of this guide). To incorporate under the CBCA, you must correctly complete Form 1, together with Form 3 and Form 6 (see Appendixes C and D of this quide), all bearing original signatures, except when sent electronically (see Chapter 2. Submitting Articles of Incorporation, of this guide) and deliver them to the Corporations Directorate at the address listed in the Contacts section at the back of this guide or electronically. The Corporations Directorate will keep the documents on file and return a copy to you with your certificate of incorporation. The articles, when filed, create your corporation, and set out important matters such as the number of directors and types of shares a corporation will have. This form (as are all forms referred to in this guide) is available from the Corporations Directorate through its Automated Fax Information Service, from its Web site or by mail (see the Contacts section at the back of this quide).

By-Laws: Basically, the agreement between the company and its shareholders setting out the internal rules by which the corporation will function. These often deal with matters such as meetings of directors and shareholders (see Appendix F of this guide).

Corporations Directorate: The branch of Industry Canada that administers the CBCA, and the office with which all filings, such as articles of incorporation, are made.

Director: An individual elected by the shareholder(s) to supervise the management of a corporation. Together, all directors of a company are referred to as the "board of directors." All federal corporations are required to have one or more directors, a majority of whom must be ordinarily resident in Canada.

Director Appointed under the CBCA: The individual appointed by the federal Minister of Industry under the provisions of the CBCA to independently administer the statute. This individual is referred to as the "Director under the CBCA."

Dissolution: The act of ending the existence of a corporation, under certain circumstances, by filing the required documents with the Corporations Directorate. Your company could also be dissolved by the Director under the CBCA for failure to comply with the legislation (see "Administrative Dissolution and Revival" in Section 4.5, Common Filing Requirements, of this quide).

Dividend: The share of profit payable to shareholders on their shares

Federal Incorporation: Incorporation under the CBCA rather than under a provincial or territorial statute

Incorporation: The act of establishing a corporation by filing the required documents.

Indemnity: Compensation for loss; a promise to pay for costs incurred by a person in certain circumstances

Officer: An individual appointed by the director(s) of a corporation to manage the day-to-day business of a company, such as president, vice president, secretary, treasurer, etc. The position of officer is distinct from that of director (see above), although one individual in a small corporation very often occupies both positions.

Private Company: In general, a company the does not sell its shares to the public (i.e. is not listed on a stock exchange). The transfer (satisfied on a stock exchange). The transfer (satisfied on some way, such as by the requirement that the directors or shareholders have to approve advance any transfer of shares.

Quorum: The stated minimum number of peopentitled to attend a meeting who must be preent for business to be conducted. Company belaws may specify the minimum number directors who must be present at a meeting the board of directors or the minimum number of shareholders who must be present at shareholders' meeting; if not, the CBCA sets of quorums.

Resolution: A statement of a decision reach either by directors or by shareholders of a corpany. A resolution may be written if all partiagree and sign it, or may be made orally in meeting on the basis of a number of votes cand then recorded in the minutes. An ordinaresolution is one passed by a majority of the votes cast, while a special resolution is opassed by a majority of not less than two thir of the votes cast.

Share: A measure of ownership of a corporation Some people refer to the share certificate as stock. Shares are distinguished from securities which are any type of investment instrument including shares.

Shareholder: An owner in a corporation; a pe son holding shares in a corporation. Becaumany activities, such as electing director must be done or approved by shareholders, a active corporation must have at least or shareholder.

Appendix A

ample Articles of Incorporation: One Class of Shares

Canada Business Loi ca Corporations Act socié	anadienne sur les tés par actions	ARTICLES OF INCORPORATION (SECTION 6)	STATUTS CONSTITUTIFS (ARTICLE 6)
ame of the Corporation		Dénomination sociale de la soci	été
BBA Consulting Ir	ic.		
he place in Canada where the re enter the name of		ituated Lieu au Canada où doit être situ Municipality in Canada	ié le siège social
ne classes and any maximum norporation is authorized to issue	umber of shares that the	Catégories et tout nombre maxi à émettre	mal d'actions que la société est autorisée
n unlimited numbe	r of common sl	hares	
strictions, if any, on share tran		Societies and a resident de-	
		Restrictions sur le transfert des	actions, s'il y a lieu
	m number) of directors	Nombre (ou nombre minimal et n	naxımal) d'administrateurs
umber for minimum and maximu inimum of 1, maxi	imum of 10		
umber (or minimum and maximum in immum of 1, maximum of 1, maximum of 1, maximum or maxi	imum of 10		naxima() d'administrateurs nmerciale de la société, s'il y a lieu
umber (or minimum and maximum in immum of 1, maximum of 1, maximum of 1, maximum or maxi	imum of 10		
umber for minimum and maximulinimum of 1, maxia estrictions, if any, on the busine one	imum of 10		
umber for minimum and maximum in imum of 1, max is estrictions, if any, on the busine one	mum of 10	arry on Limites imposées à l'activité con	
umber for minimum and maximum inimum of 1, maxi structions, if any, on the busine one one the provisions, if any ee attached Sched	imum of 10 see the corporation may continue to the corporatio	arry on Limites imposées à l'activité con Autres dispositions, s'il y a lieu	
umber for minimum and maximum inimum of 1, maxi structions, if any, on the busine one one the provisions, if any ee attached Sched	imum of 10 see the corporation may continue to the corporatio	arry on Limites imposées à l'activité con	
umber for minimum and maximum inimum of 1, maxistructions, if any, on the busine one there provisions, if any ee attached Sched corporators - Fondateurs Name(s) - Nom(s)	imum of 10 Sess the corporation may column to the corporation to the corpora	Autres dispositions, s'il y a lieu Address lincluding postal code) Addresse lincluding postal	nmerciale de la société, s'il y a lieu
umber for minimum and maximuinimum of 1, maxistructions, if any, on the busine one ther provisions, if any ee attached Sched	imum of 10 sess the corporation may co	Autres dispositions, s'il y a lieu Address lincluding postal code) Addresse lincluding postal	omerciale de la société, s'il y a leu Signature
umber for minimum and maximutinimum of 1, maximutinimum of 1, maximestrations, if any, on the busine lone ther provisions, if any ee attached Sched	imum of 10 Sess the corporation may column to the corporation to the corpora	Autres dispositions, s'il y a lieu Address lincluding postal code) Addresse lincluding postal	omerciale de la société, s'il y a leu Signature
Number for minimum and maximum dinimum of 1, maximum of 1,	imum of 10 Sess the corporation may column to the corporation to the corpora	Autres dispositions, s'il y a lieu Address lincluding postal code) Addresse lincluding postal	omerciale de la société, s'il y a leu Signature
Number for minimum and maximum of 1, maximum of 1, maximestractions, if any, on the busine done of their provisions, if any see attached Sched neorporators Fondateurs Name(s) - Nom(s)	ule II 555 Any St Anytown ON	Autres dispositions, s'il y a lieu Autres dispositions, s'il y a lieu Autresse (including postal code) Addresse (include le code postal) reet M1A ST6	omerciale de la société, s'il y a leu Signature

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation a a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors and/or the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial/territorial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial/territorial securities regulation.

CBCA allows for a number of provisions that may be included in the articles of incorporation. I may also choose to include clauses to satisfy requirements of other legislation (such as the striction on the number of shareholders and any distribution of shares to the public, which are ned at excluding the company from regulation by securities laws) or institutions (the limits on rowing powers specified below are often included to satisfy lending institutions). These provings are optional, and the ones below provide sample wording used for the most commonly curring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

er provisions:

- The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- Any invitation to the public to subscribe for securities of the Corporation is prohibited.

If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:

- (i) borrow money upon the credit of the Corporation;
- (ii) issue, reissue, sell or piedge debt obligations of the Corporation; and
- (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Appendix B

Sample Articles of Incorporation: Two Classes of Shares

Corporations Act so	oi canadienne sur les AF ociétés par actions	RTICLES OF INCORPORATION (SECTION 6)	STATUTS CONSTITUTIFS (ARTICLE 6)
1 Name of the Corporation		Dénomination sociale de la socié	té
ABBA Consulting	Inc.		
	ne registered office is to be situated of) a Regional Munic	Lieu au Canada où doit être situi cipality in Canada	š le siège social
3 - The classes and any maximum corporation is authorized to its	m number of shares that the ssue	Catégories et tout nombre maxir à émettre	nal d'actions que la société est autoris
		an unlimited number of ctions and conditions s	
	transfers	Restrictions sur le transfert des :	actions, s'il y a lieu
See attached Sch	nedule I	Nombre (ou nombre minimal et n	naximali d'administrateurs
5 Number (or minimum and ma Minimum of 1, ma	redule I wmum number) of directors aximum of 10		
See attached Sch 5Number (or minimum and man Minimum of 1, man	nedule I		naximal) d'administrateurs nmerciale de la société, s'il y a lieu
See attached Sch 5 - Number for minimum and ma Minimum of 1, ma 6 - Restrictions, if any, or the bu	redule I wmum number) of directors aximum of 10	Limites imposées à l'activité con	
See attached Sch 5 - Number for minimum and ma Minimum of 1, ma 6 - Restrictions, if any, or the bu	redule I semium number) of directors aximum of 10 usiness the corporation may carry on		
5 Number (or minimum and man Minimum of 1, min 6 Restrictions, if any, on the bunner of the provisions, if any See attached Sch	xmum number) of directors aximum of 10 sisiness the corporation may carry on	Limites imposées à l'activité con	nmerciale de la société, s'il y a lieu
See attached Sch 5 Number (or minimum and ma Minimum of 1, mi 6 Restrictions, if any, on the bu None 7 Other provisions, if any See attached Sch 8 Incorporators Fondateurs Name(s) Nom(s)	nedule I xmum number) of directors aximum of 10 ssiness the corporation may carry on hedule II	Limites imposées à l'activité con	
See attached Sch 5 Number (or minimum and man Minimum of 1, minimum	xmum number) of directors aximum of 10 sisiness the corporation may carry on	Limites imposées à l'activité con Autres dispositions, s'il y a lieu (including postal code) finclure le code postal)	nmerciale de la société, s'il y a lieu
5 Number (or minimum and ma Minimum of 1, mi 6 Restrictions, if any, on the bu None 7 Other provisions, if any See attached Sch	edule I xmum number) of directors aximum of 10 usiness the corporation may carry on address Address 555 Any Street	Limites imposées à l'activité con Autres dispositions, s'il y a lieu (including postal code) finclure le code postal)	nmerciale de la société, s'il y a lieu Signature

SCHEDULE A TO ARTICLES OF INCORPORATION - SHARE RIGHTS

The holders of Class A shares are entitled:

- (a) to vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) to receive the remaining property of the Corporation upon dissolution; and
- (c) subject to the rights and privileges attaching to the Class B 'shares, to receive dividends as and when declared by the board of directors of the Corporation.

The holders of Class B shares are entitled:

- (a) in priority to the holders of Class A shares and from the funds declared for the payment of dividends, to receive a maximum annual, preferential and non-cumulative dividend based on the prime lending rate of the bank of the Corporation at the date of the dividend less one percent (1%) as applied to the amount added, in respect of these shares, to the stated capital account maintained for the Class B shares, the date and terms of payment of such dividends to be determined by the board of directors; and
- (b) upon dissolution of the Corporation, to repayment of the amount paid for such share (plus any declared and unpaid dividends) in priority to the Class A shares, but not to participate any further in profits or assets of the Corporation

The holders of Class B shares shall not be entitled to vote at meetings of the shareholders except as otherwise specifically provided for by the terms of the Canada Business Corporations Act.

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation a a meeting of the board of directors or signed by all of the directors of the Corporation: OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled t vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors and/or the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial/territorial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial/territorial securities regulation.

ne CBCA allows for a number of provisions that may be included in the articles of incorporation. Our may also choose to include clauses to satisfy requirements of other legislation (such as the striction on the number of shareholders and any distribution of shares to the public, which are med at excluding the company from regulation by securities laws) or institutions (the limits a borrowing powers specified below are often included to satisfy lending institutions). These rovisions are optional, and the ones below provide sample wording used for the most commonly courring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

her prodision,:

- The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders

Appendix C

Sample Form 3 — Notice of Registered Office or Notice of Change of Registered Office

Industry Canada Canada Business	Industrie Canada Loi canadienne sur les			
Corporations Act	sociétés par actions			
NOTICE OF CHANGE	FORM 3 F REGISTERED OFFICE OR OF ADDRESS OF REGISTERED OFFICE (SECTION 19)	DE CHANGE	FORMULE 3 IVIS DE DÉSIGNATION OU MENT D'ADRESSE DU SIÈGE (ARTICLE 19)	SOCIA
Name of the Corporation - Dé	nomination sociale de la société		2 Corporation No Nº de la socié	té
ABBA Consultin	g Inc.		(leave blank)	
Place in Canada where the re- terms of a broad municipal de Item 2 of the Articles.)	gistered office is situated. (Describe the place in finition. This place must match the place listed in	Lieu du siège social au C municipalité. Il doit corra	lanada. (Indiquer le lieu selon la défini spondre au lieu indiqué à l'article 2 di	ition gér es statu
	ne of) a Regional Municipal	ity in Canada		
4 Address of Registered Office	- Adresse du sièga social			
123 Any Street				
Suite 555 Anytown ON M21	109			
(paragraph 173(1)(b)	I office must be within the place that is described in of the Act, use Form 4) in addition to this form.			
(paragraph 173(1)(b) AVIS: L'adresse du siège so	office must be within the place that is described in of the Act, use Form 41 in addition to this form. because the contract of the contract			
(paragraph 173(1)(b) AVIS: L'adresse du siège so	of the Act, use Form 4) in addition to this form, orial doit se trouver dans les limites du lieu indiqué o t remplir, outre la présente formule, la formule 4.			
(paragraph 173(1)(b) AVIS: L'adresse du siège so 173(1) b) de la Loi) e	of the Act, use Form 4) in addition to this form, orial doit se trouver dans les limites du lieu indiqué o t remplir, outre la présente formule, la formule 4.			
AVIS: (paragraph 173(1))b) L'adresse du sège sc 173(1) b) de la Loi) e 5 Effective Date of Change - Di	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (radress of use 173(1) b) de la Loi) e Effective Date of Change - Di // a Previous Address of Registere	of the Act, use Form 4) in addition to this form, orial doit se trouver dans les limites du lieu indiqué o t remplir, outre la présente formule, la formule 4.			
(paragraph 173(1))b) L'adresse du sège sc 173(1) b) de la Loi) e 6 Effective Date of Change - Di	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
(paragraph 173(1)) AVIS: (Cardesse du salve) S (Cardesse du salve)	of the Act, use Form 4) in addition to this form, oncal dots est rouver dans les hintes du lieu indiqué t rempir, outre la présente formule, la formule 4, tite de prise d'effet			
AVIS: L'adresse du siège si control de la Co	of the Act, use Form 4) in addition to this form, could dot se trover dans les himtes du lieu indiqué c rempir, outre la présente formule, la formule 4, tet de prise d'effet de prise d'effet d'ordinaries de prise d'effet d'Office - Ancienne adresse du siège social d'Office - Ancienne adresse du siège social		que 3. Sinon, il faut modifier les stati	
AVIS: L'adresse du siège si 173(11b) de la Loui e 173(11 b) de la Lo	of the Act, use Form 4) in addition to this form, consid dots et roviver dans les himtes du lieu indiqué d' rempir, outre la présente formule, la formule 4, title de prise d'effet et de prise d'effet et d'		que 3. Sinon, il faut modifier les stati	
AVIS: L'adresse du siège si control de la Co	of the Act, use Form 4) in addition to this form, could dot se trover dans les himtes du lieu indiqué c rempir, outre la présente formule, la formule 4, tet de prise d'effet de prise d'effet d'ordinaries de prise d'effet d'Office - Ancienne adresse du siège social d'Office - Ancienne adresse du siège social		que 3. Sinon, il faut modifier les stati	

Appendix D

ample Form 6 — Notice of Directors or Notice of Change f Directors

	Industry Canada Canada Business Corporations Act	Industrie Canade Loi canadienne sur les sociétés par actions	FORM 6 NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS (SECTIONS 106 AND 113)	FORMULISTE DES ADMI OU AVIS DE CI DES ADMINIS (ARTICLES 19	NISTRATEURS HANGEMENT TRATEURS
	of corporation - Dénon			2- Corporation No N° de l	
3- The fo	Name - Nom	e directors of this corporation - Les per Effective Date			
		Effective Date Date d'entrée en vigueur	Residential Address -	Adresse domiciliaire	Resident Canadian - Y/ Résident canadien - O/
Jane	Smith	Sept. 21/01	555 Any Street Anytown ON M1A 5T6		yes
John	Nack	Sept. 21/01	123 Another Avenue Anytown ON N3E 9P		yes
4- The following	lowing persons ceased	to be directors of this corporation - Les	personnes suivantes ont cessé d'être	administrateurs de la présen	te société
	Name - Nom	Effective Date Date d'entrée en vigueur	Residential	Address Adresse domicilia	re
5- The dire	ectors of this corporate	on now are - Les administrateurs de la p	présente société sont maintenant		
or the dire	Name - Nom	on now are - ces administrateurs de la p	Residential Address - A	dresse domiciliaire	Resident Canadran Y/N Résident canadran - Ozh
1220	Cmi+h	FFF Ann Chara			
Jane	Smith	555 Any Stree Anytown ON M1			yes
John	Nack	123 Another A Anytown ON N3			yes
Date		Signature	Totle - Tot		
	21/01	Signature (Jane Smith)	Title - Title	Director	

Appendix E

Sample Organizational Resolutions

RESOLUTIONS OF THE DIRECTOR(S) OF ABBA CONSULTING INC.

The undersigned, being the director(s) of ABBA CONSULTING INC., hereby sign(s) the following resolutions:

DESIGNATION OF OFFICES

RESOLVED that the Corporation shall have (i.e. a Chair of the Board, a President, one o more Vice Presidents, a Secretary and/or a Treasurer) and may have one or more assistant to those and to any other office hereafter designated by the board of directors.

The above resolution should specifically designate only those offices that are intended to be used.

DUTIES AND POWERS OF OFFICERS

RESOLVED that the officers of the Corporation shall exercise the following duties and powers:

- 1. The Chair of the Board shall, when present, preside at all meetings of the board of directors
- 2. The President shall, when present, preside at all meetings of the board of directors in the absence of the Chair of the Board and at all meetings of shareholders and shall be responsible for the management of the business and affairs of the Corporation.
- 3. The Vice President, or, if more than one, the Vice Presidents, shall assist the President in the performance of the President's duties and, i order of seniority as determined by the board of directors, may perform the duties and exercise the powers of the President during the absence of inability to act of the President. If a Vice President performs any such duty or exercises any such power, the absence or inability of the President shall be presumed with respect thereto.
- 4. The Secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees of the board of directors. The Secretary shall attend meeting of the board of directors and of the shareholders and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings. The Secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation, if any.

- The Treasurer shall keep or cause to be kept full and accurate books of account in which shall be recorded all receipts and disbursements of the Corporation and, under the direction of the board of directors, shall ontrol the deposit of money, the safekeeping of securities and the isbursement of the funds of the Corporation. The Treasurer shall render n account of the financial position of the Corporation to the board of directors at each meeting of the board of directors, or whenever therewise required by the board of directors.
- i. Officers shall, in addition to those prescribed by this resolution, perform such duties and exercise such powers of management of the dusiness and affairs of the Corporation as may from time to time be rescribed by the board of directors. An assistant to any officer shall ssist such officer in the performance of such officer's duties and may erform the duties and exercise the powers of such officer during the bsence or inability to act of such officer. If an assistant performs any uch duty or exercises any such power, the absence or inability to act of such officer shall be presumed with respect thereto.

he above resolution should deal only with those offices that have been designated. If some offices re designated at a later time, the duties and powers of those positions should be set out at that ime.

APPOINTMENT OF OFFICERS

SOLVED that .

(name) is appointed Chairman of the Board of the Corporation.
(name) is appointed President of the Corporation.
(name) is appointed a Vice President of the Corporation.
(name) is appointed Secretary of the Corporation.
(name) is appointed Treasurer of the Corporation.

EXECUTION OF DOCUMENTS

RESOLVED that deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by <u>(any director or officer/any two directors or officers)</u> of the Corporation. In addition, the directors may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

(name of class of shares) SHARE CERTIFICATES

RESOLVED that the form of certificate annexed hereto is approved and adopted as the form of certificate for the <u>(name of class)</u> shares in the capital of the Corporation.

BANKING RESOLUTION

RESOLVED that the banking resolution, in the form required by the ____(name_of_bank)___, a copy of which is annexed hereto as Schedule B, is hereby approved.

Insert the appropriate form of banking resolution, which is provided by your bank, here.

FINANCIAL YEAR-END

RESOLVED that the financial year of the Corporation shall end on (d/m) in each year.

APPOINTMENT OF AUDITORS

RESOLVED that $\underline{\quad\quad\quad}$ (name) , Chartered Accountants, are appointed auditors of the Corporation to hold office until the first annual general meeting of shareholders at such remuneration as may be fixed by the directors.

If you decide to dispense with the audit requirement (which requires the agreement of all shareholders), delete the paragraph above and include the paragraph approving an accountant found in the sample Organizational Resolutions of the Shareholder(s) below.

CORPORATE SEAL

ESOLVED that the corporate seal of the Corporation is in the form mpressed hereon.

here is no requirement for a corporation to have a corporate seal. If you decide not to have one, ou should omit this resolution.

ATED ___(d/m/y)__

(signature)

Shareholder

SUBSCRIPTION FOR ONE COMMON SHARE

ABBA Consulting Inc.

he undersigned hereby subscribes for one common share in the capital of he Corporation and tenders herewith the sum of \$1.00 in full payment of he subscription price for such share.

he undersigned hereby requests that the said share be allotted to the ndersigned, that such share be issued as fully paid and non-assessable nd that a certificate representing such share be issued in the name of the undersigned.

ATED (d/m/y)

(signature)

Shareholder

RESOLUTION OF THE DIRECTOR OF ABBA CONSULTING INC.

ALLOTMENT AND ISSUANCE OF SHARES TO (name)

The undersigned, being the sole director of ABBA Consulting Inc., hereby signs the following resolution:

RESOLVED that:

1. The subscription of _____ (name) ____ for one common share in the capital of the Corporation, which subscription is annexed hereto, is accepted.

2. The consideration for the allotment and issue of the said common share.

subscribed for as aforesaid is fixed at \$1.00.3. One common share in the capital of the Corporation is allotted to (name) .

4. The Corporation having received the sum of \$1.00 in full payment of the subscription price for the said common share, such share is issued and shall be held as a fully paid and non-assessable share and a certificate therefor shall be issued to $\underline{\hspace{0.5cm}}$ (d/m/y)

(signature)

Director

ORGANIZATIONAL RESOLUTIONS OF THE SHAREHOLDER(S) OF ABBA CONSULTING INC.

ELECTION OF DIRECTOR(S)

ESOLVED that the following	person(s) are	hereby elected	directors o	f the
ected:	year or until	their successo	rs have been	duly

ame)		
ame)	 	

APPOINTMENT OF ACCOUNTANTS

SOLVED that:

Pursuant to the Canada Business Corporations Act, an auditor of the proporation shall not be appointed; and

(names) are hereby appointed accountants of the Corporation hold office until the first annual general meeting of the shareholders until their successors have been duly appointed at such remuneration may be fixed by the directors, the directors being hereby authorized fix such remuneration.

e undersigned, being all the shareholders of the Corporation, hereby magnet, by their signatures, to the foregoing resolutions pursuant to be provisions of the Canada Business Corporations Act.

TED (d/m/y)

(signature)
Shareholder

Appendix F

Sample By-Law

BY-LAW NO. 1
ABBA CONSULTING INC.

A by-law relating generally to the transaction of the business and affairs of ABBA Consulting Inc. (hereinafter referred to as the "Corporation")

DIRECTORS

- 1. Calling of and notice of meetings: Meetings of the board shall be held at such place and time and on such day as the President, Vice President or Secretary or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly electe board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board is elected.
- 2. Votes to govern: At all meetings of the board, every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chair of the meeting (shall/shall not [choose one]) be entitled to a second or casting vote.
- 3. Interest of directors and officers generally in contracts: No director officer shall be disqualified by his/her office from contracting with the Corporation nor shall any contract or arrangement entered into by on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established provided that the director or officer shall have complied with the provisions of the Canada Business Corporations Act.

SHAREHOLDERS' MEETINGS

4. Location and quorum: Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is located or, if the Board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada. At any meeting of shareholders, a quorum shall be (any number you decide) persons present in person and each entitled to vote thereat [and holding or representing by proxy not less than (any number you decide) percent of the votes entitled to be cast thereat].

INDEMNIFICATION

Indemnification of directors and officers: The Corporation shall demnify a director or officer of the Corporation, a former director or ficer of the Corporation or a person who acts or acted at the rporation's request as a director or officer of a body corporate of ich the Corporation is or was a shareholder or creditor, and his/her irs and legal representatives to the extent permitted by the Canada siness Corporations Act.

Indemnity of others: Except as otherwise required by the Canada isiness Corporations Act and subject to paragraph 5, the Corporation may om time to time indemnify and save harmless any person who was or is a rty or is threatened to be made a party to any threatened, pending or mpleted activity, suit or proceeding, whether civil, criminal, employee or agent of the Corporation, or is or was serving at the quest of the Corporation as a director, officer, employee, agent of or rticipant in another body corporate, partnership, joint venture, trust other enterprise, against expenses (including legal fees), judgments, nes and any amount actually and reasonably incurred by him/her in nnection with such activity, suit or proceeding if he/she acted nestly and in good faith with a view to the best interests of the rporation and, with respect to any criminal or administrative activity proceeding that is enforced by a monetary penalty, had reasonable ounds for believing that his/her conduct was lawful. The termination any activity, suit or proceeding by judgment, order, settlement or hviction shall not, of itself, create a presumption that the person d not act honestly and in good faith with a view to the best interests the Corporation and, with respect to any criminal or administrative tivity or proceeding that is enforced by a monetary penalty, had no

Right of indemnity not exclusive: The provisions for indemnification ptained in the by-laws of the Corporation shall not be deemed exclusive any other rights to which any person seeking indemnification may be citled under any agreement, vote of shareholders or directors or nerwise, both as to activity in his/her official capacity and as to civity in another capacity, and shall continue as to a person who has ased to be a director, officer, employee or agent and shall inure to benefit of the heirs and legal representatives of such a person.

8. No liability of directors or officers for certain matters: To the extent permitted by law, no director or officer for the time being of title to any property acquired by the Corporation or for or on behalf or upon which any of the moneys of or belonging to the Corporation sha be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortur respective office or trust or in relation thereto unless the same shall happen by or through his/her failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or the Corporation, the fact of his/her being a director or officer of the or body corporate, as the case may be, from receiving proper remunerati

BANKING ARRANGEMENTS. CONTRACTS. ETC.

- 9. Banking arrangements: The banking business of the Corporation, or an part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.
- 10. Execution of instruments: Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any <code>[any number you decide]</code> officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specif contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers are assignments of property of all kinds (including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities), proxies for shares and other securities and all paper writings.

MISCELLANEOUS

- . Invalidity of any provisions of this by-law: The invalidity or enforceability of any provision of this by-law shall not affect the lidity or enforceability of the remaining provisions of this by-law.
- . Omissions and errors: The accidental omission to give any notice to y shareholder, director, officer or auditor or the non-receipt of any tice by any shareholder, director, officer or auditor or any error in y notice not affecting the substance thereof shall not invalidate any tivity taken at any meeting held pursuant to such notice or otherwise unded thereon.

INTERPRETATION

Interpretation: In this by-law and all other by-laws of the reporation, words importing the singular number only shall include the ural and vice versa; words importing the masculine gender shall include a feminine and neuter genders; words importing persons shall include individual, partnership, association, body corporate, executor, ninistrator or legal representative and any number or aggregate of sons; "articles" include the original or restated articles of corporation, articles of amendment, articles of amalgamation, articles continuance, articles of reorganization, articles of arrangement and circles of revival; "board" shall mean the board of directors of the reporation; "Canada Business Corporations Act" shall mean Canada viness Corporations Act, R.S.C. 1985, c. C-44 as amended from time to be or any Act that may hereafter be substituted therefor; and "meeting shareholders" shall mean and include an annual general meeting of reholders and a special meeting of shareholders.

The next clause should be included only if previous by-laws are being replaced.

14. Repeal: By-Laws No. <u>(number)</u> of the Corporation are repealed as the coming into force of this by-law, provided that such repeal shall raffect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Canada Business Corporations Act until their successors are appointed.

(signature)

President

(signature)

Secretary

RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS OF ABBA CONSULTING INC.

OLVED that the foregoing By-Law Noporation.	o. 1 is made a by-law of the
undersigned, being all the direct foregoing resolution.	tors of <u>(corporation)</u> , hereby si
[ED(d/m/y)	
	(signature)
	Director
	(signature) Director
	(signature)
	Director
OLVED that the foregoing By-Law N poration is hereby confirmed.	o. 1 of the by-laws of the
undersigned, being all the share n the foregoing resolution.	holders of <u>(corporation)</u> , hereby
ED(d/m/y)	
	(signature)
	Shareholder
	ond chorder
	(signature)
	Shareholder
	Sharehorder

____(signature)

Appendix G

Sample Notice of Annual General Meeting and Minutes of an Annual General Meeting

The Notice and Minutes below provide suggested wording and format that you can adapt to your business at its first shareholders' annual general meeting for the election of directors and the appointment of officer(s), auditor(s) and accountant(s). Alternatively, you can proceed by way of written resolution instead, as shown in Appendix E.

NOTICE OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

"Corpora	<u>me of class of shares)</u> Shares of ABBA Consulting Inc. (the tion") will be held at <u>{address}</u> on <u>{d/m/y}</u> at the hou time) in the forenoon, for the purpose of:
(1)	receiving and considering the annual report and financial statements for the year ended <u>(d/m)</u> and the report of the auditors thereon;
(2)	electing directors;
(3)	appointing auditors; and
(4)	transacting such further and other business as may properly come before the meeting or any adjournment thereof.
Dated th	is <u>(d)</u> day of <u>(m)</u> 19 <u>(y)</u> .
	ON BEHALF OF THE BOARD OF DIRECTO
	(signature)
	Secretary

MINUTES OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

nutes of the annual general meeting of the shareholders of ABBA nsulting Inc. held at <u>(address)</u> on <u>(d/m/y)</u> at the hour
(time) in the forenoon (local time)
Present in Person (name)
(name)
(name)
(name)
(name) Represented by Proxy
ng all of the shareholders of the Corporation.
Chair and Secretary
President, (name), assumed the Chair and Secretary, (name), acted as Secretary of the meeting.
Constitution of Meeting
of the shareholders of the Corporation being present in person or cresented by proxy and all the shareholders, directors and auditors of Corporation having been sent notice of the meeting in the manner wired by law, the Chair declared the meeting properly constituted for transaction of business.
Financial Statements
Chair presented to the meeting the balance sheet of the Corporation at(d/m/y), and the other financial statements of the poration for the financial year ended on such date. At the request the Chair, the Secretary of the meeting then read to the meeting the itor's report. Following the reading of the auditor's report, the ir invited questions and comments from the floor and, there being e, the Chair proceeded to the next item of business.
Election of Directors
Chair stated that it was now in order to proceed with the election directors. On motion duly made, seconded and unanimously carried, the lowing resolution was passed:
OLVED:(names of directors) hereby elected directors of the Corporation to hold office for ensuing year or until their successors are elected or appointed, chever occurs first.

6. Flection of Directors

The Chair stated that it was now in order to proceed with the election of directors and declared the meeting open for nominations. The following were nominated as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first:

 (name)
(name)
(name)

There being no further or other nominations, the Chair declared the nominations closed and directed the Secretary of the meeting to cast a single ballot for the election of the foregoing persons as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first. Such ballot having been cast, the Chair declared the foregoing persons to have been elected directors of the Corporation for the ensuing year or until their successors are elected or appointed.

7. Appointment of Auditors

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: (names),
Chartered Accountants, are hereby appointed the auditors of the
Corporation to hold office until the close of the next annual general
meeting of the shareholders or until a successor is appointed, at such
remuneration as may be fixed by the directors, and the directors are
hereby authorized to fix such remuneration.

7. Appointment of Accountants

The Chair stated that the Corporation meets the conditions referred to section 163 of the *Canada Business Corporations Act* (the "Act") and that all the shareholders of the Corporation have consented in writing that the Corporation be exempt from the requirements of section 160 of the Act. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: _____ are hereby appointed the accountants of the Corporation to hold office until the close of the next annual general meeting of shareholders at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

- , Confirmation of Proceedings
- n motion duly made, seconded and unanimously carried, the following esolution was passed:
- ESOLVED: all by-laws, resolutions, contracts, acts, and proceedings of the board of directors, shareholders and officers of the Corporation facted, passed, made, done or taken since ______(date of last meeting) ______ sthe same are set forth or referred to in the minutes of the proporation or in the financial statements submitted to the shareholders of the Corporation on this date are hereby approved, ratified, sanctioned and confirmed.
- . Termination

nere being no further business, on motion duly made, seconded and hanimously carried, the meeting was terminated.

(signature)

Secretary

Appendix H

Sample Form 22 — Annual Return

Industry Canada Canada Business Corporations Act	Industrie Canada Loi canadienne sur les sociétés par actions	FORM 22 ANNUAL RETURN (section 263)	FORMULE 22 RAPPORT ANNUEL (article 263)
See Instructions on the R	leverse Side - Voir les instructions au vers	0	
1 Corporation Name and Re	gistered Office Address - Dénomination de la	s société et adresse du lieu du siège so-	cial 2 Corporation No Nº de
ABBA Consulti	ing Inc.		999999-1
	et, Suite 555		3 Business No N° d'ent
Anytown ON Ma	2T 1P9		
(end mailing address, if differ	ent from that of registered office) - (ainsi que l'ad	resse postale si elle diffère de celle du siège	sociaf) 4 Taxation Year End Fin de l'année d'imposition 1 9 9 9 0 1
5 Main Types of Business - Consulting	Catégories principales d'activité commercial	0	
6 Has there been a change Y a-t-il eu un changement	of directors? d'administrateurs?	7 Has there been a change Y s-t-il eu un changeme	e of registered office? nt du siège social?
Yes - Oui	X No - Non	Yes - Oui	X No - Non
_	: - Si oul, la formule 6 a-t-elle été :	_	in: - Si oui, la formula 3 a-t-elle été :
Filed - Déposée	Attached - Annexée	Filed - Déposée	Attached - Annexée
8	45 0000	9 Does the corporation dis	stribute its securities to
Date of Last Annual Meet Date de la dernière assem	ing May 15 2001	the public? La société émet-elle ses voie de souscription pub	valeurs mobilières par
Le société dispose-t-elle den partie les pouvoirs des	e in place a unanimous shareholder agreeme wer of the directors to manage the business rune convention unanime des actionnaires v administrateurs de gére les affaires tant co corporation is carrying on business - Provin	isée au paragraphe 146(2) de la Loi, qu mmerciales qu'internes de la société? ces et territoires où la société exerce se	restreint en tout ou Our Curs
Prov./Territory-Prov./Territoire Ontario	Address of the principal place of business 123 Any Street, Suite		ele de la société ou adresse aux fins de signit
01104110	125 Ally Street, Sarte	JJJ, ANY COWN ON TIET	113
Saskatchewan	456 Another Street, A	nothertown SK S2X 1X1	
	Title - Titre	or 200	76. No N° de tél.
(J. Smith)	Direct		
(J. Smith)	E ONLY - A L'USAGE DU MINISTÈRE SI		
(J. Smith)			e - Chàque Amount - Montant

Contacts

Corporations Directorate

ne following free information kits and documents are available from the Corporations Directorate:

Canada Business Corporations Act Incorporation Kit

Amalgamation Kit

Amendment Kit

Continuance (Import) Kit

Continuance (Export) Kit

Dissolution Kit

Exemptions Kit

Name Granting Guidelines (see also the brochure Choosing a Name)

Name Policy Compendium

obtain the above kits or documents, write to or call:

Publication and Information Unit

Corporations Directorate

Industry Canada

9th Floor, Jean Edmonds Towers South

365 Laurier Avenue West

Ottawa ON K1A OC8

Tel.: (613) 941-9042

Fax: (613) 941-0601

Automated Fax Information Service:

(613) 941-0199 or (613) 941-0200

nese documents are also available on the Internet at the following address:

http://strategis.gc.ca/corporations

or information on other materials available regarding incorporation under the CBCA, including fees, ease call the Corporations Directorate, General Enquiries at:

Tel.: (613) 941-9042

r contact one of our regional offices:

- British Columbia (Vancouver)
 - Tel.: (604) 666-9875
- Quebec (Montréal)

Tel.: (514) 496-1797

Ontario (Toronto)
 Tel.: (416) 954-2714

Other Federal Government Resources of Interest to Small Businesses

ABORIGINAL BUSINESS CANADA (ABC)

Aboriginal Business Canada targets small businesses in particular and is increasing its emphasis supporting proposals that involve the expansion of domestic and export markets, Aboriginal tourist technology adoption and enhancement, and youth entrepreneurship. Both financial and no financial assistance are available.

Tel.: (613) 954-4064

Web site: http://strategis.gc.ca/abc

BUSINESS DEVELOPMENT BANK OF CANADA (BDC)

The Business Development Bank of Canada's network of 84 branch offices across Canada promote the creation and development of small businesses through specialized financing for commercial viable enterprises. The BDC has also initiated a number of business counselling, training and mentoring services to meet the needs of small business at each stage of your business's development.

Toll-free: 1-888-INFO-BDC (1-888-463-6232)

CANADA BUSINESS SERVICE CENTRES (CBSCs)

Canada Business Service Centres have been established in each province and territory to provide sm businesses with a single access point for quick, accurate and comprehensive information on feder provincial/territorial and municipal government programs services and regulations. Information of cers can either provide you with the required information or direct you to the best source.

Alberta	Tel.: (780) 422-7722	Toll-free: 1-800-272-9675
British Columbia	Tel.: (604) 775-5525	Toll-free: 1-800-667-2272
Manitoba	Tel.: (204) 984-2272	Toll-free: 1-800-665-2019
New Brunswick	Tel.: (506) 444-6140	Toll-free: 1-800-668-1010
Newfoundland	Tel.: (709) 772-6022	Toll-free: 1-800-668-1010
Northwest Territories	Tel.: (867) 873-7958	Toll-free: 1-800-661-0599
Nova Scotia	Tel.: (902) 426-8604	Toll-free: 1-800-668-1010
Nunavut	Tel.: (867) 979-6813	Toll-free: 1-877-499-5199
Ontario	Tel.: (416) 954-INFO (4636)	Toll-free: 1-800-567-2345
Prince Edward Island	Tel.: (902) 368-0771	Toll-free: 1-800-668-1010
Quebec	Tel.: (514) 496-INFO (4636)	Toll-free: 1-800-322-INFO (4636
Saskatchewan	Tel.: (306) 956-2323	Toll-free: 1-800-667-4374

Toll-free: 1-800-661-0543

Web site: http://www.cbsc.org

Yukon Territory

OMMUNITY FUTURES DEVELOPMENT CORPORATIONS (CFDCs)

ommunity Futures Development Corporation services can provide you with:

- counselling and advisory services to help with the establishment, expansion, competitiveness and stabilization of your business
- financial assistance in the form of loans, loan guarantees or equity investments to help you in the creation or maintenance of long-term employment in your community.

Tel.: (403) 495-4164 Toll-free: 1-888-338-9378

Web site: http://www.communityfutures.ca

EGIONAL DEVELOPMENT AGENCIES

ne federal government has set up four regional development agencies to address the regional needs f small businesses. The agencies complement the work of the government's financial institutions and to the kind of local level economic development, mentoring and program distribution work for which it is sector financial institutions are not equipped.

ach agency works with other federal departments, with provincial/territorial and municipal governlents, and with the private sector to provide you with access to capital, markets, information and cills development. The agencies also provide assistance with the development of innovations and echnologies and, in some cases, with tourism.

ATLANTIC CANADA OPPORTUNITIES AGENCY (ACOA)

Tel.: (506) 851-2271
Toll-free: 1-800-561-7862
Web site: http://www.acoa.ca

CANADA ECONOMIC DEVELOPMENT FOR QUEBEC REGIONS

Tel.: (514) 283-6412

Web site: http://www.dec-ced.gc.ca

FEDERAL ECONOMIC DEVELOPMENT INITIATIVE IN NORTHERN ONTARIO (FEDNOR)

Tel.: (705) 671-0711

Toll-free: 1-800-461-4079 Web site: http://fednor.ic.gc.ca

WESTERN ECONOMIC DIVERSIFICATION CANADA (WD)

Tel.: (780) 495-4164

Toll-free: 1-888-338-9378
Web site: http://wd.gc.ca

SMALL BUSINESS LOANS ADMINISTRATION

The Small Business Loans Administration is designed to help new and existing small businesses wi annual gross revenues not exceeding \$5 million (excluding farming and charitable or religious enterprises) to obtain term loans from chartered banks and other lenders in order to finance the purchal and improvement of fixed assets. The Administration also provides for the sharing of loan losses, any, between the lenders and the federal government. The loans are made directly by approved lender to small businesses.

Tel.: (613) 954-5540

Fax: (613) 952-0290

Web site: http://strategis.gc.ca/csbfa

STRATEGIS

Strategis is Canada's business and consumer site. It can provide you with easy, direct access Industry Canada's extensive expertise and information resources. The information on Strategis whelp you make critical decisions about opportunities for growth, explore new markets, find partner form alliances, find and develop new technologies or processes, or assess the risks of new venture

Web site: http://strategis.gc.ca

WOMEN'S ENTERPRISE INITIATIVE (WEI)

Women's Enterprise Centres have been established in Alberta, British Columbia, Manitoba a Saskatchewan with funding from Western Economic Diversification Canada to provide loan financing and support to women entrepreneurs.

Tel.: (780) 495-4164

Toll-free: 1-888-338-9378

mall Business Tax Requirements and Services

JSINESS NUMBER AND INTEGRATED SERVICES

e Business Number (BN), which has been mandatory since January 1, 1997, is a new number stem that replaces the multiple numbers you formerly used to deal with the federal government. gives you a unique identifier that remains unchanged, no matter how many or what types of accounts u have. To register a new business, or for more information on the other services below, call:

Toll-free: 1-800-959-5525

OODS AND SERVICES TAX (GST)

e Canada Customs and Revenue Agency (CCRA) has implemented a number of initiatives to mplify your payment of the GST:

GST Electronic Filing and Remitting Program
 The CCRA has implemented a new electronic option to file your GST return and to remit payments using Electronic Data Interchange technology.

 Tel: (613) 952-8746

Web site: http://www.ccra-adrc.gc.ca/eservices/gsthst-edi/index-e.html

GST Simplified Accounting Method — Quick Method
 This is a simplified accounting option to help small businesses calculate the GST they owe, without having to track the GST they pay or to claim GST input tax credits. Businesses with worldwide annual taxable sales (including zero-rated sales) of \$200 000 or less, including GST and annual taxable sales of all associated businesses, can use this method, with some exceptions.

CIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SREED)

VESTMENT TAX CREDIT

investment tax credit is available for small businesses engaged in scientific research and experiental development. If you have never filed a claim for the SREED investment tax credit, the CCRA s a service to help you. The service also makes you aware of the incentives to file, including the w 18-month filing deadline.

MPLIFIED RETURNS AND CLAIMS

corporated businesses are required to submit a T2 corporate tax return. If your business has gross reques of \$500 000 or less and no taxable income, you can submit a T2 Short return. This two-page urn reduces the time it takes to complete the form.



Industry Canada Industrie Canada

FORM 1
ARTICLES OF INCORPORATION
(SECTION 6) Canada Business
Corporations Act

Loi canadienne sur les sociétés par actions

FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)

Name of the Corporation		Dénomination sociale de la société	
The place in Canada where the registered o	iffice is to be situated	Lieu au Canada où doit être situé le sièç	ge social
The classes and any maximum number of s corporation is authorized to issue	hares that the	Catégories et tout nombre maximal d'ai à émettre	ctions que la société est autorisée
Restrictions, if any, on share transfers		Restrictions sur le transfert des actions	, s'il y a lieu
Number (or minimum and maximum numbe) of directors	Nombre (ou nombre minimal et maximal) d administrateurs
Restrictions, if any, on the business the co	poration may carry on	Limites imposées à l'activité commercia	le de la société, s'il y a lieu
Other provisions, if any		Autres dispositions, s'il y a lieu	
Incorporators - Fondateurs			
Name(s) - Nom(s)	Address (in Adresse (in	ncluding postal code) inclure le code postal)	Signature
OR DEPARTMENTAL USE ONLY - À L'USAGE Corporation No Nº de la société	DU MINISTÈRE SEULEMEN	NT Filed - Déposée	
orporation No N° de la société			

Articles of Incorporation FORM 1 INSTRUCTIONS

Documents required to be sent to the Director pursuant to the Canada Business Corporations Act (CBCA) must conform to sections 5 to 10 of the Canada Business Corporations Regulations.

Item 1
Set out the proposed corporate name that complies with sections 10
and 12 of the Act. Articles of incorporation must be accompanied by a
Canada-biased NUANS search report dated not more than ninety (90)
days prior to the receipt of the articles by the Director. On request, a
number name may be assigned under subsection 11(2) of the Act,
without a carech.

Set out the name of the place and province within Canada where the registered office is to be situated. A specific street address is not

Set out the details required by paragraph 6(1)(c) of the Act, including details of the rights, privileges, restrictions and conditions attached to each class of shares. All shares must be without nominal or par value and must comply with the provisions of Part V of the Act.

Item 4
If restrictions are to be placed on the right to transfer shares of the corporation, set out a statement to this effect and the nature of such restrictions.

State the number of directors. If cumulative voting is permitted, the number of directors must be invariable; otherwise it is permissible to specify a minimum and maximum number of directors.

restrictions are to be placed on the business the corporation may carry out, set out the restrictions.

Item / Set out any provisions, permitted by the Act or Regulations to be set out in the by-laws of the corporation, that are to form part of the articles, including any pre-emptive rights or cumulative voting

Each incorporator must state his or her name and residential address, and affix his or her signature, If an incorporator is a body corporate, that name shall be the name of the body corporate, the address shall be that of its registered office, and the articles shall be signed by a person authorized by the corporate body.

Other Documents
The articles, must be accompanied by a Notice of Registered Office
(Form 3), and a Notice of Directors (Form 6). Note that a Form 6 must
be sent to the Director within fifteen (15) days of any change of the
directors in accordance with subsection 113(1) of the Act.

Other Notices

Other Notices

If a proposed corporation is to engage in
a) the construction or operation of a pipeline for the transmission of oil
or gas as defined in the National Energy Board Act,
b) the construction or operation of a commodity pipeline as defined in
the National Transporation Act, 1987,
c) the business of an investment company within the meaning of the
Investment Companies Act,
the incorporator shall inform the minister of the department or agency

The information you provide in this document is collected under the authority of the Canada Business Corporations Act and will be stored in personal information bank number CCA/P-PU-093. Personal information that you provide is protected under the provisions of the Privacy Act. However, public disclosure pursuant to section 266 of the Canada Business Corporations Act is permitted under the Privacy Act.

Completed document and fees payable to the Receiver General are to

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

Statuts constitutifs **FORMULE 1** INSTRUCTIONS

Présentation

Tous les documents dont l'envoi au directeur est exigé par la Loi canadienne sur les sociétés par actions doivent être conformes aux articles 5 à 10 du Règlement sur les sociétés par actions de régime fádáral

Rubrique 1 Indiquer une dénomination sociale qui satisfait aux exigences des articles 10 et 12 de la Loi. Les statuts constitutifs doivent être accompagnés d'un rapport de recherche NUANS couvrant le Canada, dont la date remonte à quatre-vingt-dix (90) jours ou moins avant la date de réception des statuts par le directeur. Si un numéro matricule est demandé en guise de dénomination sociale, il peut être assigné, sans recherche préalable, en vertu du paragraphe 11(2) de la Loi.

nubrique 2 Indiquer le nom de l'endroit et de la province au Canada où le siège social doit être situé. Une adresse précise n'est pas requise.

Rubrique 3 Indiquer les détails requis par l'alinéa 6(1)c) de la Loi, y compris les détails des droits, privilèges, restrictions et conditions attachés à chaque catégorie d'actions. Toutes les actions doivent être sans valeur nominale ni sans valeur au pair et doivent être conformes aux dispositions de la partie V de la Loi.

Rubrique 4 Si le droit de transfert des actions de la société doit être restreint, inclure une déclaration à cet effet et indiquer la nature de ces

nadique s' Indiquer le nombre d'administrateurs. Si un vote cumulatif est prévu, ce nombre doit être fixe; autrement, il est permis de spécifier un nombre minimal et maximal d'administrateurs.

Rubrique 6 Si des limites doivent être imposées à l'activité commerciale de la société, les indiques

Rubrique 7 Indiquer les dispositions que la Loi ou le règlement permet d'énoncer dans les règlements administratifs de la société et qui doivent faire partie des statuts, y compris les dispositions relatives au vote cumulatif ou aux droits de préemption.

nuorque à Chaque fondateur doit donner son nom, son adresse domiciliaire et apposer sa signature. Si un fondateur est une personne morale, le nom doit être celui de la personne morale, l'adresse doit être celle de son siège social, et les statuts doivent être signés par une personne autorisée par la personne morale.

Autre documents

Autre documents
Les statuts doivent être accompagnés d'un avis de désignation du lieu
du siège social (formule 3) et d'une liste des administrateurs (formule
6). Une formule 6 doit être envoyée au directeur dans les quinze (15)
jours suivant tout changement dans la composition du conseil
d'administration conformément au paragraphe 113(1) de la Loi.

Autres avis Si la société projetée doit effectuer : a) la construction ou l'exploitation d'un pipeline pour le transport du pétrole ou du gaz, défini dans la *Loi sur l'Office national de l'énergie*, b) la construction ou l'exploitation d'un production défini dans la *Loi de*

1987 sur les transports nationaux,

c) le commerce d'une société d'investissement au sens de la *Loi sur les sociétés d'investissement*, les fondateurs doivent informer le ministre responsable du ministère ou les fondateurs doivent informer le ministre responsable du ministère ou

l'agence qui réglemente ces entreprises.

Les renseignements que vous fournissez dans ce document sont recueillis en vertu de la Loi canadienne sur les sociétés par actions, et seront emmagasinés dans le fichier de renseignements personnels MCC/P-PU-093. Les renseignements personnels que vous fournisses sont protégés par les dispositions de la Loi sur la protection des renseignements personnels. Cependant, la divulgation au public selon les termes de l'article 266 de la Loi canadienne sur les sociétés par actions est permise en vertu de la Loi sur la protection des renseignements personnels. renseignements que vous fournissez dans ce document

Le document rempli et les droits payables au receveur général doivent être envoyés au

Dîrecteur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9º étage 365, av. Laurier ouest Ottawa (Ontario) K1A OC8





Industry Canada

Industrie Canada

Canada Business Corporations Act

Loi canadienne sur les sociétés par actions

FORM 3 NOTICE OF REGISTERED OFFICE OR NOTICE OF CHANGE OF ADDRESS OF REGISTERED OFFICE (SECTION 19)

FORMULE 3 AVIS DE DÉSIGNATION OU DE CHANGEMENT D'ADRESSE DU SIÈGE SOCIAL (ARTICLE 19)

Alama of the Committee Dr.	
Name of the Corporation - Dénomination sociale de la société	2 Corporation No N° de la société
3 Place in Canada where the registered office is situated. (Describe the place in	
terms of a broad municipal definition. This place must match the place listed	n Lieu du siège social au Canada, (Indiquer le lieu selon la définition générale de in municipalité, il doit correspondre au lieu indiqué à l'article 2 des statuts.)
Item 2 of the Articles.)	the desired at the statute of the statute.)
4 Address of Registered Office - Adresse du siège social	
CAUTION: Address of registered office must be within the place that is describe	ad in the Articles and Itam 2, exhausing an articles
AVIS: L'adresse du siège social doit se trouver dans les limites du lieu indig	ulé dans les statuts et à la subrique ? Sinon il fout modifier les exerces (etc.)
17 of 17 by de la 2017 et rempin, dutre la presente formule, la formule 4	
5 Effective Date of Change - Date de prise d'effet	
6 Previous Address of Registered Office - Ancienne adresse du siège social	
O State Control of the Control of th	
Date Signature	Title - Titre
For Departmental Use Only - A l'usage du ministère seulement	IC 3420 (1997/12)
Filed	
Déposée	Canadä
	Callada

Notice of Registered Office or Notice of Change of Registered Office FORM 3

Format

Documents required to be sent to the Director must be in a clear and legible form.

Complete Items 1.3 and 4 for new corporations.

Complete Items 1 to 6 for changes. Note: Where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s).

Item 1

The full legal name of the corporation.

Item 2

Complete only in the case of change of registered office.

Item 3

Set out the place in Canada where the registered office is situated as indicated in the Articles of the corporation. The description should be in terms of a broad municipal definition, not a specific street address (e.g. Montreal Urban Community, in the Province of Quebec).

Itam 4

The full address at which the registered office is to be situated or to which it is to be changed.

Item F

The date when the change of registered office is to take effect.

Item 6

The previous address of the registered office, if any.

Signature

A director or authorized officer of the corporation shall sign the Notice. If a new corporation, an incorporator shall sign the Notice.

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A OC8

Avis de désignation ou de changement du siège social FORMULE 3 INSTRUCTIONS

Présentation

Tous les documents dont l'envoi au directeur est exigé doivent être clairs et lisibles.

Remplir les rubriques 1, 3 et 4 pour les nouvelles sociétés. Remplir les rubriques 1 à 6 si des changements sont survenus. Nota: Lorsqu'exigé par la Loi, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs.

Rubrique 1

La dénomination sociale complète de la société.

Rubrique 2

À remplir seulement dans le cas d'un avis de changement du siège social.

Rubrique 3

Indiquer le lieu au Canada où se situe le siège social, tel qu'il est indiqué dans les statuts de la société. Il s'agit de décrire le lieu en général, en fonction de la municipalité plutôt que par rapport à une adresse municipale précise (ex. dans la Communauté urbaine de Montréal, province de Québec).

Rubrique 4

L'adresse complète du siège social ou celle où il doit désormais être situé.

Rubrique 5

La date à laquelle le changement du siège social doit prendre effet.

Rubrique 6

L'adresse précédente du siège social, le cas échéant.

Signature

Un administrateur ou un dirigeant autorisé de la société doit signer l'avis. S'il s'agit d'une nouvelle société, un fondateur doit signer l'avis.

Le document rempli doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9º étage 365, ave Laurier ouest Ottawa (Ontario) K1A OC8 -

Industry Canada
Canada Business
Corporations Act

Industrie Canada

Loi canadienne sur les sociétés par actions

FORM 6 NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS (SECTIONS 106 AND 113)

FORMULE 6
LISTE DES ADMINISTRATEURS
OU AVIS DE CHANGEMENT
DES ADMINISTRATEURS
(ARTICLES 106 ET 113)

1- Name of corporation - Dénominat	ion de la société				
		2- Corporation No N° di	2- Corporation No N° de la société		
3- The following persons became di	rectors of this corporation - Les personnes	suivantes sont devenues administrateurs de la présente s	ociété		
Name - Nom	Effective Date Date d'entrée en vigueur	Date			
4- The following persons ceased to b	e directors of this corporation - Les person	nes suivantes ont cessé d'être administrateurs de la prése	ente société		
Name - Nom	F44. 11 D				
5- The directors of this corporation no	ow are - Les administrateurs de la présente	société sont maintenant			
Name - Nom		Residential Address - Adresse domiciliaire	Resident Canadian Y/N Résident canadien - O/N		
Date Sig	nature	Title - Titre			
C 3103 (1998/02)		Filed - Déposée	Filed - Déposée		

Canada Business Corporations Act

Notice of Directors or Notice of Change of Directors FORM 6

Loi canadienne sur les sociétés par actions Liste des administrateurs ou

Liste des administrateurs ou Avis de changement des administrateurs FORMULE 6 INSTRUCTIONS

Format

Documents required to be sent to the Director must be in a clear and legible form.

Complete items 1 and 5 for new corporations.

Complete items 1 through 5 for changes. Note: Where required by the Act, the changes being reported by the filing of this form must be authorized by the director(s) or shareholder(s).

Item 1

Set out the full legal name of the corporation.

Item 2

Always set out the corporation number when filing a Notice of Change of Directors (Form 6).

Item 3, 4 and 5

With respect to each director.

(a) set out first given name, initial and family name;

(b) set out full residential address (not business address), including postal code;

(c) refer to the definition of "resident Canadian" in the Canada Business Corporations Act and Canada Business Corporations Regulations.

Signature

A director or authorized officer of the Corporation shall sign the Notice. If a new corporation, an incorporator shall sign the Notice.

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

The information you provide in this document is collected under the authority of the Canada Business Corporations Act and will be stored in personal information bank number IC/PPU-049. Personal information that you provide is protected under the provisions of the Privacy Act. However, public disclosure pursuant to section 266 of the Canada Business Corporations Act is permitted under the Privacy Act.

Présentation

Tous les documents dont l'envoi au directeur est exigé doivent être clairs et lisibles

Remplir les rubriques 1 et 5 pour les nouvelles sociétés.

Remplir les rubriques 1 à 5 si des changements sont survenus. Nota : Lorsa (exigé par la Loi, les changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 1

Indiquer la dénomination officielle complète de la société.

Rubrique 2

lindiquer toujours le numéro de la société lors de l'envoi d'un avis de changement des administrateurs (Formule 6).

Rubrique 3, 4 et 5

En ce qui concerne chaque administrateur :

- a) indiquer son prénom, ses initiales et son nom de famille;
- b) donner l'adresse complète de son domicile (non son adresse d'affaires) en incluant le code postal;
- c) consulter la définition de "résident canadien" dans la Loi et le Règlement sur les sociétés par actions de régime fédéral.

Signature

Un administrateur ou un dirigeant autorisé de la société doit signer l'avis. S'il s'agit d'une nouvelle société, un fondateur doit signer l'avis

Le document rempli doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9° étage 365 av. Laurier ouest Ottawa (Ontario) K1A OC8

Les renseignements que vous fournissez dans ce document sont recueillis en vertu de la Loi canadienne sur les sociétés par actions et seront emmagasinés dans le fichier de renseignements personnels IC/PPU-049. Les renseignements personnels que vous fournissez sont protégés par les dispositions de la Loi sur la protection des renseignements personnels. Cependant, la divulgation au public selon les termes de l'article 266 de la Loi canadienne sur les sociétés par actions est permise en vertu de la Loi sur la protection des renseignements personnels.



industry Canada Industrie Canada

Canada Business Loi canadienne sur les Corporations Act Sociétés par actions

FORM 22 ANNUAL RETURN (section 263)

FORMULE 22 RAPPORT ANNUEL (article 263)

See instructions on the	neverse Side - Voir les instruc	ctions au verso			
Corporation Name and R	Registered Office Address - Dén	omination de la société e	et adresse du lieu du s	ège social	2 Corporation No Nº de la socié
					3 Business No N° d'entreprise
(and mailing address, if diffi	erent from that of registered office)	- (ainsi que l'adresse posta	ele si elle diffère de celle c	lu siège social)	Taxation Year End Fin de l'année d'imposition Y - A M D - J
Main Types of Business	- Catégories principales d'activi	té commerciale			
Has there been a change Y a-t-il eu un changemer	e of directors? nt d'administrateurs?		7 Has there been a Y a-t-il eu un cha	change of registered ongement du siège soci	office? ial?
Yes - Oui	No - No		Yes - Oui		No - Non
Filed - Déposée	n: - Si oui, la formule 6 a-t-elle (Attached - Annexée	ete:	If yes, has Forn	n 3 been: - Si oui, la fo	rmule 3 a-t-elle été : ned - Annexée
Date of Last Annual Mee Date de la dernière asser	oting nblée annuelle		the public?	tion distribute its securille ses valeurs mobilièren publique?	Yes No
Does the corporation hav La société a-t-elle 15 act	ve 15 or more shareholders? tionnaires ou plus?	Yes - Oui	No - Non		
La société dispose-t-elle	ve in place a unanimous shareh lower of the directors to manag d'une convention unanime des s administrateurs de gérer les ai	e the business and attair	's of the corporation?	oi aui sontroint en te-	
	e corporation is carrying on bus e Address of the principal place				ou adresse aux fins de signification
nature		Title - Titre		Date	Tel. No N° de tél.
OR DEPARTMENTAL US	E ONLY - A L'USAGE DU M	INISTÈRE SEULEMEN	T		
te Received te de réception	Validation	Key Code - Code clé		Cheque - Chèque	Amount - Montant
2580 (2001/04)					

Canada Business Corporations Act

ANNUAL RETURN FORM 22 INSTRUCTIONS

General

General
In accordance with section 263 of the Canada Business Corporations
Act and subsection 4(3) of the Canada Business Corporations
Regulations, a corporation must submit to the Director an annual return
with the prescribed fee of \$40 (\$20 if transaction is completed through
Corporations Directorate's Electronic Filing Centre
http://strategis.gc.ca/corporations) within 6 months of its taxation year
end as defined by the Income Tax Act. Fees are payable to the Receiver General for Canada.

State the date of the corporation's taxation year end as defined by the Income Tax Act.

Item 5

State the main actual business, or businesses of the corporation, indicating, where possible, the corporation's standard industrial classification code (S.I.C.C.).

Item 6 Indicate whether there has been any change of directors since the last annual return and whether a notice of change of directors (Form 6) has been filed. Note that under subsection 113(1) of the Act a notice of change of directors must be filed within fifteen (15) days of a change of directors. Note that where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Item 7 Indicate whether there has been any change of registered office since the last annual return and if a notice of change of registered office (Form 3) has been filed. Note that under subsection 19(4) of the Act a notice of change of registered office must be filed within fifteen (15) days after a change of registered office. Note that where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Indicate the date of the last annual meeting.

Indicate whether the corporation is a "distributing corporation", that is, a corporation that has made a distribution of its securities to the public within the meaning of subsection 2(7) of the Act.

Indicate whether the corporation has 15 or more shareholders. Part XIII of the Act requires any corporation that has 15 shareholders or more to solicit proxies.

Indicate whether a unanimous shareholder agreement is in place. Indicate whether a unanimous shareholder agreement is in place. A unanimous shareholder agreement is a written agreement among all the shareholders of a corporation that restricts, in whole or in part, the powers of the directors to manage the business and affairs of the corporation by giving to the shareholders certain powers usually conferred to the Board of Directors.

Item 12
For each provincial/territorial jurisdiction in which the corporation is carrying on business, including the operation of an enterprise, or possesses an immoveable real right, other than a prior claim or hypothec, state the address of the principal place of business or address for service, including the city and the postal code. If there is not enough room, please attach a piece of paper with the additional information. A corporation is presumed to be "carrying on business" if it has an address in the province/territory or having there, either directly or through the agency of a representative acting under a general mandate, an establishment, a post office box or the use of a telephone line, or carrying out in the province/territory any act for the purpose of profit. This information is being collected as part of an initiative which may eventually eliminate the need to register in each province or territory in which the corporation carries on business. At this time, the filing of forms is still required at the provincial level.

A director or authorized officer of the corporation shall sign the return.

Completed form to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

Loi canadienne sur les sociétés par actions

RAPPORT ANNUEL **FORMULE 22** INSTRUCTIONS

Généralités

Géréralités
En vertu de l'article 263 de la Loi canadienne sur les sociétés pa actions et du paragraphe 4(3) du Règlement sur les sociétés par action de régime fédéral, toute société doit soumettre au directeur un rappor annuel accompagné du droit prescrit de 40 \$ (20 \$ si la transaction es effectuée par l'entremise du Centre de dépôt électronique de l Direction générale des corporations - http://strategis.gc.ca/corporations dans les 6 mois suivant la fin de l'année d'imposition telle qu'elle es définie dans la Loi de l'impôt sur le revenu. Les droits sont payables a Receveur général du Canada.

Donner la date de la fin de l'année d'imposition de la société telle qu'ell est définie dans la *Loi de l'impôt sur le revenu*.

Donner la ou les principales activités de la société en utilisant, s possible, le code de classification des activités économiques.

Rubrique 6

Indiquer s'il y a eu un changement des administrateurs depuis le dernie indiquer s il y a eu un changement des administrateurs depuis le dernie rapport annuel et si un avis de changement des administrateurs (formul 6) a été déposé. En vertu du paragraphe 113(1) de la Loi, un avis di changement des administrateurs doit être fourni dans les 15 jour suivant un changement. Nota: Lorsqu'exigé par la Loi, le changements rapportés par le dépôt de cette formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 7

Rubrique 7 Indiquer s'il y a eu un changement du siège social depuis le dernie rapport annuel et si un avis de changement du siège social (formule 3) été déposé. En vertu du paragraphe 19(4) de la *Loi*, un avis d changement du siège social doit être fourni dans les 15 jours suivant u changement. Nota: Lorsqu'exigé par la *Loi*, les changements rapporté par le dépôt de cette formule doivent être autorisés par le administrateurs ou les actionnaires.

Rubrique 8

Indiquer la date de la dernière assemblée annuelle.

Indiquer si la société a émis de ses valeurs mobilières par voie d souscription publique au sens du paragraphe 2(7) de la *Loi*.

Indiquer si la société a15 actionnaires ou plus. La partie XIII de la Le exige que toute société comptant 15 actionnaires ou plus sollicite de procurations.

Indiquer si la société est assujettie à une convention unanime de actionnaires. Une convention unanime des actionnaires est une entent écrite liant tous les actionnaires de la société et qui restreint en tout de en partie les pouvoirs des administrateurs de gérer les affaires tacommerciales qu'internes de la société, en donnant aux actionnaire certains pouvoirs qui sont normalement conférés aux administrateurs.

Rubrique 12
Donner l'adresse principale de la société ou l'adresse pour fin de signification avec ville et code postal pour chaque province/territoire où la société exerce ses activités, incluant l'exploitation d'une entreprise ou y possède un droit réel immobilier autre qu'une priorité ou un hypothèque. S'il n'y a pas suffisamment d'espace, veuillez joindre une feuille supplémentaire contenant l'information additionnelle. Une sociéte est présumée exercer une activité ou exploiter une entreprise si elle possède une adresse dans la province/territoire ou qui, par elle-même op ar l'entreprise de son représentant agissant en vertu d'un manda général, possède un établissement ou un casier postal ou dispose d'une ligne téléphonique dans la province/territoire, ou y accomplit un acte dans le but d'en tirer un profit. Cette information est demandée suite à une initiative qui pourrait éventuellement éliminer l'obligation d'enregistrement dans chaque province/territoire où la société exerc ses activités. Pour l'instant, le dépôt des formules au niveau provincia est encore obligatoire. est encore obligatoire.

Signature

Un administrateur ou un dirigeant autorisé de la société doit signer le

La formule complétée doit être envoyée au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean Edmonds, sud 9ième étage 365, ave Laurier ouest Ottawa (Ontario) K1A 0C8



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Small Business Guide to Federal Incorporation





Government

Publications



Small Business Guide to Federal Incorporation



Corporations Canada
Spring 2003 — 5th Edition

The information contained in this guide is current as of March 2003. Please note that some of the information, however, such as fees or addresses, is subject to change without notice.





This publication is also available electronically on the World Wide Web at the following address: http://strategis.gc.ca/corporations

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For information about the incorporation process, please contact:
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Corporations Canada — Industry Canada
9th Floor, Jean Edmonds Towers South
365 Laurier Avenue West
Ottawa ON K1A 0C8

Tel.: (613) 941-9042 (Ottawa region)

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53510E

Aussi offert en français sous le titre *Guide de* la petite entreprise pour la constitution en société de régime fédéral.





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MINISTER'S MESSAGE

In today's knowledge-based economy, the business environment is critical to promoting consumer and business confidence, attracting investment, spurring innovation, and enhancing trade. The *Canada Business Corporations Act* is one of several pieces of legislation that Industry Canada administers to promote a fair, efficient and competitive Canadian marketplace.

The Small Business Guide to Federal Incorporation has been developed by Industry Canada to give small and medium-sized enterprise owners and operators an overview of the Canada Business Corporations Act and to help them realize the benefits of federal incorporation. The guide provides step-by-step instructions on incorporating a business and offers helpful suggestions, answers to frequently asked questions and sources for more information.

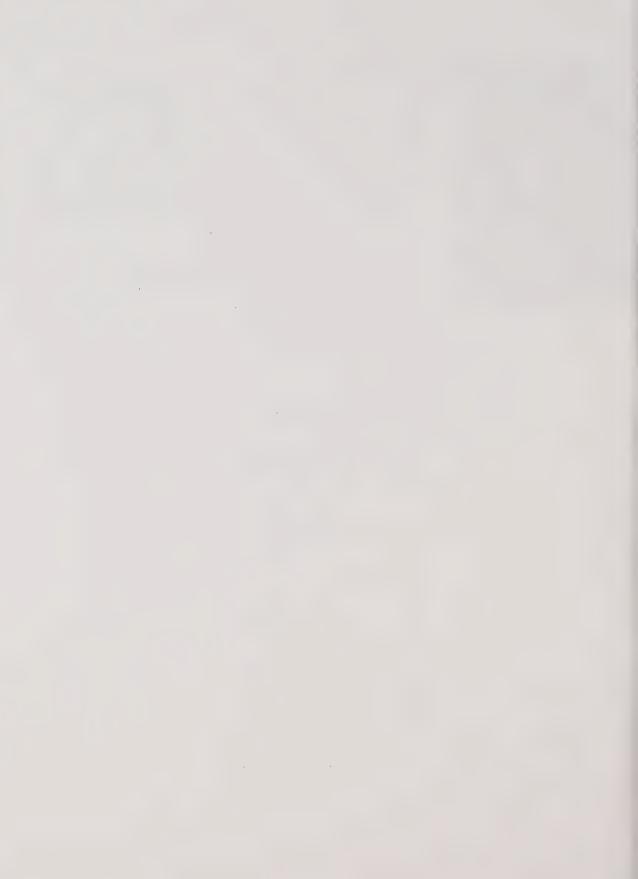
The Government of Canada recently introduced *Canada's Innovation Strategy*, a national initiative to build a stronger Canadian economy. Small and medium-sized enterprises and self-employed individuals are key to the Canadian economy, accounting for 77 percent of total employment in Canada and creating 140 000 jobs in 2001 — over half of all jobs created. Clearly, these people and businesses will play a significant part in *Canada's Innovation Strategy*. To find out more, visit *Canada's Innovation Strategy* Web site (www.innovationstrategy.gc.ca).

The Government of Canada is nurturing an environment that is ripe for innovation. This includes creating incentives for small and medium-sized enterprises to grow, helping to create jobs and wealth for all Canadians. This guide is part of that growth. A number of changes were implemented this past year, including the reduction of annual and federal incorporation fees, a new electronic filing service for incorporation, secure on-line payments, and many other services to help make the incorporation process as easy and accessible as possible. You will also find useful business information through the Business Gateway.ca Web site (www.Business Gateway.ca).

I believe that you will find this guide extremely helpful in building a thriving, innovative business. I wish you every success.

Allan Rock

Minister of Industry



PREFACE

The purpose of this guide is to give the reader a general overview of federal corporate law under the *Canada Business Corporations Act* (CBCA). It provides the basic knowledge and tools that business owners and operators need to incorporate and operate a small or medium-sized private company under the federal corporate law.

The guide provides useful hints to help you meet CBCA requirements for federal incorporation and provides instructions on how to incorporate on-line. It assumes that you are past the initial business concept stage and that you have made or are in the process of making a decision to incorporate.

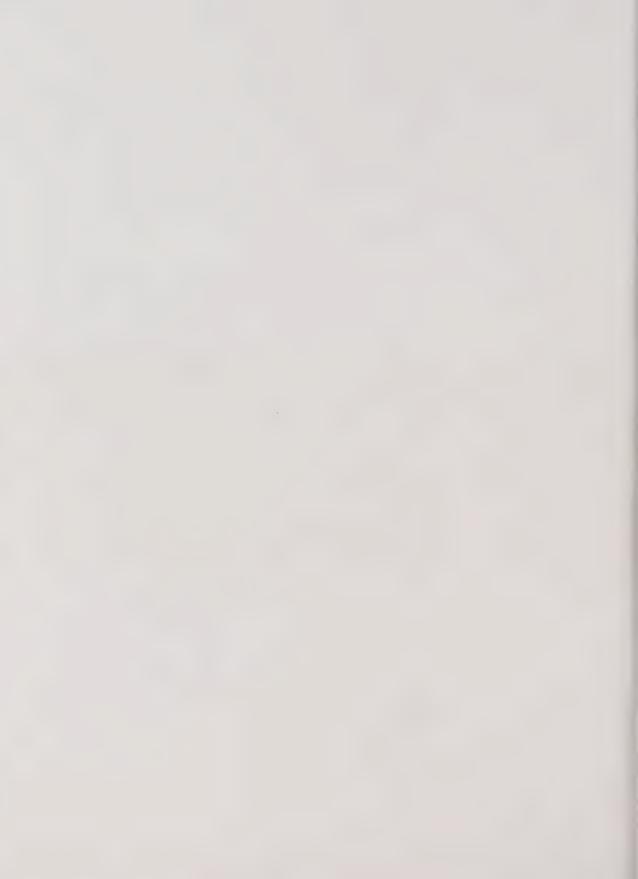
The guide focusses on general incorporation issues for small businesses under the CBCA. (Note that banking, insurance, and loan and trust companies, as well as non-profit corporations, are incorporated under different statutes in Canada.) Much of the discussion in this guide applies only to companies with fewer than 15 shareholders, since most small businesses, at least at the beginning, have fewer than 15 shareholders anyway. It does not describe matters relating only to publicly held corporations or only to situation-specific provisions such as takeover bids or management proxy solicitations. Instead, the focus here is and stays — on the information you need to incorporate and run your small business under federal jurisdiction.

While this guide is aimed at the small, oneowner corporation, some information that a corporation with several shareholders/directors will want to consider is included. As you review the material, you may find that some sections contain more information than you feel you need at the start. We suggest you hold onto the guide; as your business develops, you may want to refer to these sections at a later time. The answers to frequently asked questions and a glossary of terms are included for your reference. The appendixes contain samples of forms you may wish to consult before submitting your articles of incorporation under the CBCA; you may adapt the wording contained in them for your own circumstances. There are also samples of minutes of typical annual general meetings, resolutions, by-laws and annual returns.

Helpful suggestions or sources for more information appear in boxes accompanying the text throughout the guide. Key CBCA provisions are cited in the text. A complete copy of the CBCA is available electronically on the Internet at the following address: http://laws.justice.gc.ca/en/title/C.html

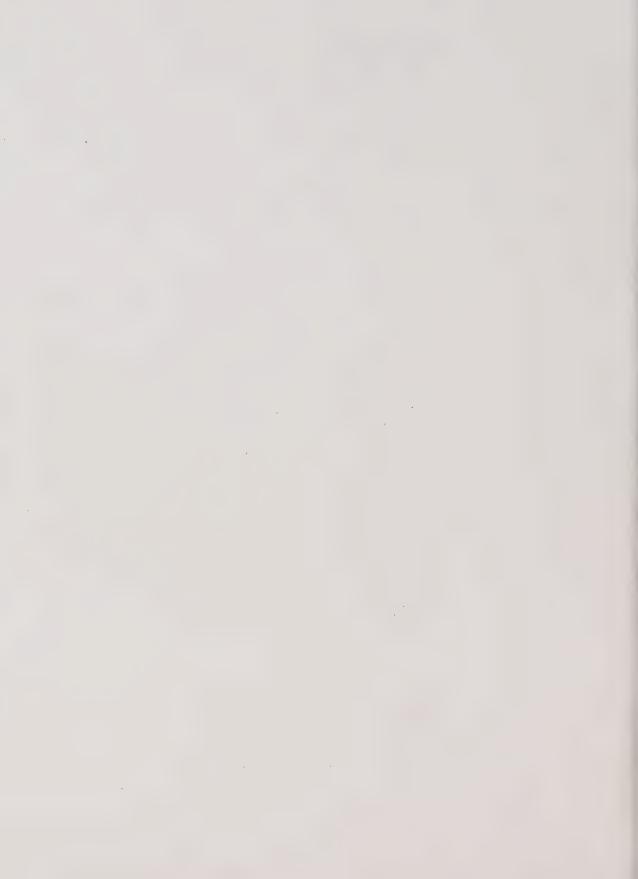
Instructions on how to contact our corporate specialists, as well as other federal government resources for small and medium-sized enterprises (SMEs), are included at the back of this guide in the Contacts section. In addition, Corporations Canada has prepared information kits with instructions on how to incorporate your company and maintain or change its status under the CBCA. A list of titles and where to obtain them is included in the Contacts section.

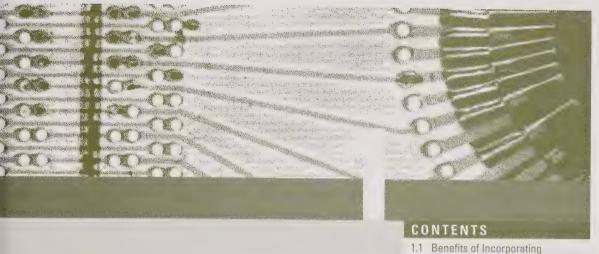
A caution: This guide is not legal advice. It does not discuss all of the other federal and provincial/territorial laws that impose obligations on CBCA corporations and their operators, nor does it attempt to deal exhaustively with the CBCA. It does, however, provide the basic knowledge and tools that an SME operator needs for incorporating and operating a private company under the CBCA.



Contents

1	Why Should I Incorporate?	1	
2	Submitting Articles of Incorporation	£	
3	Organizing Your Company	11	
4	Complying With the CBCA	15	
5	Shareholders	21	
Fre	quently Asked Questions	26	
Glo	ssary of Terms	28	
	pendixes		
App	pendix A: Sample Articles of Incorporation: One Class of Shares	29	
App	pendix B: Sample Articles of Incorporation: Two Classes of Shares	32	
App	pendix C: Sample Form 3 — Notice of Registered Office or		
	Notice of Change of Registered Office	36	
App	nendix D: Sample Form 6 — Notice of Directors or Notice of Change of Directors	37	
App	pendix E: Sample Organizational Resolutions	38	
Арр	pendix F: Sample By-Law	44	
Арр	pendix G: Sample Notice of Annual General Meeting and		
	Minutes of an Annual General Meeting	50	
Арр	nendix H: Sample Form 22 — Annual Return	54	
	tacts		
Corporations Canada			
	Other Federal Government Resources of Interest to Small Businesses		
Sma	Small Business Tax Requirements and Services		





- 1.1 Deficits of incorporating
- 1.2 Implications of Incorporating
- 1.3 Benefits of Incorporating Federally

Why Should I Incorporate?

"I am starting a new business. Should I incorporate?" This is one of the most frequently asked questions by entrepreneurs. The answer usually is "It depends."

Factors to consider are the benefits of incorporating (rather than operating your business as a sole proprietorship or partnership) and the implications that incorporating may have on your business. Then you will have to choose between either federal or provincial/territorial incorporation.

Your choice really depends on the circumstances facing you at a particular time, and these may change over time. Therefore, even if you are not ready to incorporate now, you should keep this guide for later reference as your circumstances change.

The federal business law in Canada is the *Canada Business Corporations Act* (CBCA). When the CBCA was first made law in 1975, it introduced the notion of "incorporation as of right." In other words, when you properly complete the application form set out in the CBCA (known as the articles of incorporation), provide certain information (acceptable business name, directors and address of registered office) and pay the appropriate fee, you will be issued a certificate of incorporation. Federal incorporation services are available through the Internet under the Corporations Canada On-line Filing Centre (http://strategis.gc.ca/corporations). This makes federal incorporation a very simple and less expensive process.

BENEFITS OF INCORPORATING Separate Legal Entity

The act of incorporation gives life to a legal entity known as the corporation, commonly referred to as a "company" (throughout this guide, the terms "corporation" and "company" are used interchangeably). A corporation has the same rights and obligations under Canadian law as a natural person. A corporation can acquire assets, go into debt, enter into contracts, sue or be sued, and even in some situations be found guilty of committing a crime. A company's money and other assets belong to the company and not to the shareholders.

(CBCA section 15)

Once incorporated, the company's separate legal status, property, rights and liabilities continue to exist until the company is dissolved, even if one or more of its shareholders or directors sell their shares, die or leave the company.

Limited Liability

The act of incorporation limits the liability of a company's owners or shareholders. As a general rule, shareholders of a company are not liable for the company's debts. If the company goes bankrupt, then a shareholder will not lose more than his or her investment (unless the shareholder has provided personal guarantees for the company's debts). A creditor cannot sue shareholders for liabilities (debts) incurred by the corporation, even though shareholders are owners of the corporation.

(CBCA section 45)

Note, however, that if a shareholder has another relationship with the corporation, for example, as a director, then he or she in certain circumstances may be liable for the debts or liabilities of the corporation in that capacity.

The CBCA, as well as many other federal and provincial/territorial statutes, imposes various duties on directors. In general, these duties or liabilities are imposed where the legislature has decided that a certain act or failure to act is of sufficient importance to warrant going beyond the general rule of limited liability (see Section 4.2, Duties and Liabilities of Management, of this guide).

Lower Corporate Tax Rates

A corporation is taxed separately from its owners and generally at a lower tax rate. For example, active private companies in Ontario pay a combined flat tax of less than half that of an individual in the highest tax bracket on the first \$200 000 of taxable income.

Once dividends are paid out to the share-holders of a company, those dividends are tax-able in the hands of the shareholders at the shareholders' personal tax rate. The corporate structure does permit some measure of tax deferral, since you decide when to pay out the company's earnings by way of dividend. Until you do so, this money is taxed only at the lower corporate rate, not at the personal rate.

Note that losses from the business cannot be written off against other personal income the owners or shareholders may have.

For more information on the tax benefits and implications of incorporation, consult the Canada Customs and Revenue Agency (CCRA) (formerly Revenue Canada) Canadian Small Businesses Guide. It covers such matters as business and professional income, and payroll deductions. For the CCRA office nearest you, consult the Blue Pages of your telephone directory or visit the CCRA on-line (http://www.ccra-adrc.gc.ca). Your accountant or lawyer will also be able to provide you with comprehensive tax advice.

Greater Access to Capital

Raising capital is often easier for corporation than for other forms of business. For example corporations are entitled to issue bonds of share certificates to those who invest money is the company. Other forms of business must rely solely on their own money and loans for capital. Reliance on these latter means of financing often limits a business's ability the expand.

Corporations often are able to borror capital at a much lower rate than other forms obusiness. This is probably because financial institutions and other sources of financing perceive loans to corporations as being less risky investments.

While the reasons are not wholly clear many financial institutions believe corporation (as opposed to partnerships or sole proprieto ships) are better loan risks, and therefore fermore comfortable providing capital to corporations. They are supported in this view by studies showing that incorporated businesses armore successful than unincorporated ones.

For more information on how SMEs can finance their business venture, check out Industry Canada's Sources of Financing: http://strategis.gc.ca/sources

Continuous Existence

Unlike a partnership or sole proprietorship a corporation does not cease to exist upon the death of its owner(s). Even if every share holder and director were to die, the corporation would still live on, and ownership would transfer to the shareholders' heirs. This assurance of continuous existence gives a busines greater stability, allowing it to carry out planning over a longer term and to obtain mor favourable financing terms.

MPLICATIONS OF INCORPORATING Higher Start-Up Costs

Start-up costs are higher if you choose to ncorporate rather than carry on business as a sole proprietorship or partnership. These start-up costs are directly related to the process of setting up the corporation, as well as any professional fees for legal and accountng services. While it is not necessary to obtain egal advice to incorporate, it would certainly be worthwhile to do so if you are considering setting up with a complex share structure.

On the other hand, the higher start-up costs may be offset by the lower financing and tax rates that corporations often enjoy. Moreover, obtaining financing may be easier pecause lenders are generally more accusomed to dealing with corporations than with other forms of business.

ncreased Paperburden

Carrying on business as a corporation may ncrease the number of filings you are required o make. For instance, the CBCA requires that ou file each year an annual return (Form 22 ee Appendix H of this guide) and also inform corporations Canada of any changes in your loard of directors and/or location of your egistered office (Forms 3 and 6 - see Appendixes C and D of this guide). You will also e required to file separate income tax returns or yourself and your company, which may lead o an increase in your ongoing professional osts. Your company is also required to mainain certain corporate records (see Section 4.1, orporate Records, of this guide).

The most convenient way to file forms required by Corporations Canada is via the Internet, through the Corporations Canada On-line Filing Centre (http://strategis.gc.ca/ corporations). This method has many advantages: it is less expensive (the incorporation and annual return filing fees are lower when paid on-line than when paid through any other means); it is convenient (you can file from the office or home 24 hours a day, seven days a week); and it is fast (you receive immediate acknowledgment of your filing, and there is usually same-day or next-day processing). And there's no need to worry about on-line payments using your MasterCard® or Visa® the Strategis Secure On-Line Electronic Commerce System ensures that all transactions are processed with complete security.

Further, you will likely be required to register your company in any province or territory where you carry on business. Registration is different from incorporation. While a company may be incorporated only once, it may be reqistered in any number of jurisdictions to carry on business. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine what filing requirements you will have to fulfil.

Required: Directors, Officers and Shareholders

Although a corporation is a distinct legal entity, it does not have a physical presence. It must act through people. There are three main types of persons who may have an interest in a particular corporation and through whom it acts:

- directors
- officers
- · shareholders.

Individuals may hold more than one position in a company. For example, the same person may be a shareholder, a director and an officer, or even the sole shareholder, director and officer.

The directors are responsible for supervising the management of the company's business. Your company's articles of incorporation will specify the number or minimum and maximum numbers of directors. You must have at least one director.

(CBCA sections 6, 102, 105)

Officers may hold positions in the company such as president, chief executive officer, secretary and chief financial officer. They are appointed by the board of directors. The duties of the company's officers are normally found in its by-laws. In general, the directors assign the officers the responsibility to manage and execute the day-to-day business of the corporation.

(CBCA section 121)

Shareholders, who own the company, make decisions by passing resolutions, usually at meetings (see Section 5.3, Shareholders' Meetings, of this guide). One of the most important decisions that shareholders make is the election of directors.

If you are considering a business venture involving more than one individual (fellow shareholders), think about obtaining legal advice on entering into a shareholder agreement. Shareholder agreements can be useful in establishing the rules by which the shareholders make decisions and, most importantly, in resolving disputes among themselves. While this subject is beyond the scope of this guide, Section 5.4, Shareholder Agreements, reviews these documents in very general terms.

BENEFITS OF INCORPORATING FEDERALLY

In Canada, you have the choice of 13 provincial and territorial jurisdictions and one federal jurisdiction of incorporation. While company law statutes in Canada are quite similar, incorporation under the CBCA does offer certain distinct advantages.

Heightened Name Protection

One of the reasons most often given by our clients for choosing federal incorporation is the heightened name protection provided to federal corporations, seen as an important element of the right to carry on business throughout Canada. While every incorporating jurisdiction in Canada screens potential corporate names (see Section 2.1, Choose a Name, of this guide), the level of scrutiny varies from province to province and from territory to territory. At Corporations Canada, we apply the most stringent of tests before granting the right to use a particular name. What does this stringency mean to you, the client? It is a guarantee that once your corporation obtains its name, that name has a protected status second only to trade-mark protection.

A related benefit is the constitutional right of a CBCA company to carry on business anywhere in Canada. "Carrying on business" includes the right to do so under your own name. All corporations, including CBCA corporations, may be required by a province or territory to register to carry on business within its borders, and to register its name for exclusive use within that province or territory. If you are incorporated under one province's or territory's legislation and

later wish to expand your business to another, a company name similar to yours may already be in use in that other province or territory. Only with CBCA incorporation can you be assured of being able to operate under your corporation's own name throughout Canada, both now and later.

Location Flexibility

Incorporation under the CBCA offers flexibility not available under other jurisdictions. For instance, the CBCA does not set restrictions regarding the province or territory where your head office is located, your corporate records are maintained and your annual general meetings are held. You can even hold your meetings electronically or outside of Canada if you wish.

High-Quality Service

Corporations Canada takes great pride in its customer service standards. Turnaround times for various services such as incorporation are a matter of public record, as are Corporation Canada's results in reaching such standards.

As a service provider in a competitive market, Corporations Canada is always pursuing ways to make itself more accessible and convenient to clients. For example, it now offers clients an on-line service that allows you to send documents, pay fees, and receive documents and acknowledgments back from the Director under the CBCA, via the Internet.

The Electronic Business Environment initiative will ensure that Corporations Canada is as close as your computer. Visit our Web site at: http://strategis.gc.ca/corporations

Resource for Small Rusinesses

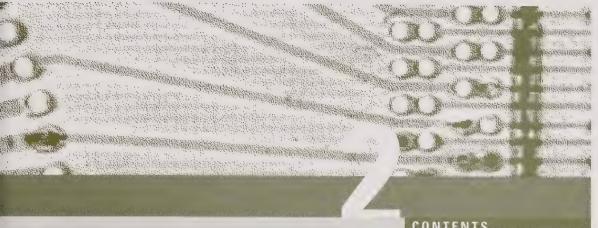
Industry Canada views SMEs as the key to jobs and economic growth in our country.

Dealing with a complex piece of legislation, like the CBCA or any of the provincial territorial incorporation statutes, can be daunting to many individuals. Incurring professionates to help deal with them can often be beyond the reach of people starting out in a business venture.

Corporations Canada therefore has invested much time and effort in developing materials such as this guide, designed to help the small businessperson through the steps involved in starting and operating a corporation. Mos of these are available in both paper and electronic formats (http://strategis.gc.ca corporations). (See the Contacts section at the back of this guide for a list of these materials. Do-it-yourself information kits on most aspects of the CBCA, as well as policy statements and guidelines clarifying the position of the Directo under the CBCA on various matters, are also available.

New materials are continually being prepared in consultation with clients. In addition, a great deal of research and analysis being done with respect to developing new services, policies and legislative or regulator amendments.

Regardless of your location in Canada incorporation under the CBCA is available to you. With federal incorporation comes excel lence in customer service, a focus on accessibility and, of course, the status of being a federal corporation. We are your jurisdiction of choice.



Submitting Articles of Incorporation

Ince you have decided to incorporate, there are some simple steps you must take to set p your company. Federal corporations are formed by filing articles of incorporation with corporations Canada. In filling out these basic forms, you will need to make some decisions in the name of the business, location of registered office, who will serve as directors, etc.

Appendix A of this guide contains a sample of Form 1 — Articles of Incorporation completed or a basic type of company with only one class of shares. Appendix B of this guide provides nother sample of a completed Form 1, but for a company with two classes of shares.

Additional forms must accompany the articles of incorporation:

- Form 3 Notice of Registered Office or Notice of Change of Registered Office (see Appendix C of this guide for a sample)
- . Form 6 Notice of Directors, Notice of Change of Directors or Notice of Change of Address of a Present Director (see Appendix D of this guide for a sample).

o incorporate under the CBCA, you must correctly complete the three forms, all bearing original ignatures (you may use copies of the forms themselves so long as the signatures are original). Deliver them to Corporations Canada at the address listed in the Contacts section at the back of this guide. Corporations Canada will keep the documents on file and return a copy to you with our certificate of incorporation. It will also assign your company a corporation number, which vill appear on the certificate of incorporation. Your business is incorporated as of the date of our certificate of incorporation.

ou may send the three required forms by facsimile or through the Corporations Canada On-line iling Centre. All forms must be submitted to Corporations Canada and each form must bear riginal signatures. Forms submitted electronically do not require a signature, but you must naintain a paper copy, manually signed, in the records of the corporation.

CBCA sections 20, 258 (1); CBCA Regulations 10.1-10.5)

ree information kits on the incorporation process, which include blank copies of the required orms, are available from Corporations Canada through our Web site or in paper copy from our head office (see the Contacts section at the back of this guide).

o better assist you in completing these forms, the following information is presented in the same equence as the various items appear in Forms 1, 3 and 6.

CONTENTS

- 2.1 Choose a Name
- 2.2 Locate Your Registered Office
- 2.3 Describe Your Shares
- 2.4 Set Out Restrictions on Share Transfer
- 2.5 Choose Your Directors
- 2.6 Set Any Restrictions on Activities
- 2.7 Other Provisions: Private Company Restrictions/ Other Clauses
- 2.8 Sign Your Articles of Incorporation
- 2.9 Remit the Filing Fee

CHOOSE A NAME

(Forms 1, 3 and 6)

Form 1, Item 1

Every corporation needs a name. In order to protect the public and avoid confusion, this name must be distinct from the names of all other corporations. All Canadian jurisdictions regulate corporate names to ensure that the public is not misled by confusingly similar corporate names. The degree of scrutiny differs from one jurisdiction to another. Corporations Canada applies the most rigorous of standards for name granting in Canada.

Corporations Canada has prepared a brochure, Choosing a Name, and the Name Granting Guidelines, reference documents containing greater detail to help you choose a name for your corporation (see the Contacts section at the back of this guide).

What's in a Name?

A corporate name generally contains three elements:

- a distinctive element (perhaps a surname or other unique term)
- a descriptive element (e.g. Manufacturing, Consulting, Trading)
- a mandatory legal element (e.g. Corp., Inc., Ltd.).

Name Request

In order to see if your name of choice is available for registration under the CBCA for your exclusive use anywhere in Canada, you must obtain a Canada-biased name search called a Newly Upgraded Automated Name Search (NUANS) report. A NUANS report may be obtained in two ways:

 You can now order a federal NUANS report on-line at www.nuans.com from the NUANS Real-Time system or from the Corporations Canada On-line Filing Centre at www.strategis.gc.ca/ corporations. The fee is \$20 payable by credit card (Visa® or MasterCard®). The system provides direct access to the NUANS search service but does not provide the professional assistance and recommendations often available from a registered NUANS search house. Because of this, you will have to ensure that you understand the regulations and policies which have to be met before the name will be approved by Corporations Canada, Your NUANS report that is generated may be rejected if the proposed name does not meet the requirements of the CBCA name regulations. A Corporations Canada publication, Name Granting Guidelines, features more information about the requirements for corporate names. This brochure, as well as other relevant information, can be accessed at www.strategis.gc.ca/ corporations in the "Choosing a Name" section.

2. A NUANS report may also be requested from a private company known as a search house. A search house is an independent, private sector business that can provide advice on the availability of your corporate name choice. You can find a list of these firms at www.nuans.com, or in the Yellow Pages of your telephone directory under "Searches or Records". There is a fee for this service.

When you order a NUANS report, that report has a life of 90 days from the date it is requested.

Is the Name Acceptable?

You or your search house will then submit the results of the NUANS search, along with your articles of incorporation, to Corporations Canada for review to determine if the name requested is available. Various tests are used, as explained in detail in the *Name Granting*

Guidelines. Some of these tests are describe below:

- Does the proposed name contain any words or phrases that are prohibited?
 Examples: "Parliament Hill," "RCMP," "Cooperative," "Air Canada," "United Nations."
- Is the proposed name obscene?
- Is the proposed name too general?
 Is it only a geographical name such as North West Inc., or only an individual's name such as Joe Smith Inc.?
- Is the proposed name so similar to the trade-mark or official mark of another corporation that both names appear to refer to the same business? Or is it so similar that is appears to be related to the other business?
- Does the proposed corporation have a foreign affiliate with a similar name? If so, it may be necessary to provide written consent of the foreign affiliate and add an element to your proposed name to distinguish it, such as ABBA Consulting Canada Inc.

If Your Name Is Refused

Clients at times have been surprised by refusal to grant a name, particularly if th NUANS report appears to indicate that ther are no similar names already in existence Corporations Canada sometimes must reject proposed corporate name simply because has insufficient background information o which to base a name granting decision. If th name you have chosen is rejected, your art cles of incorporation will be returned to you along with a request for you to explain th name more fully. To help clients propos acceptable company names, Corporation Canada has developed a Corporate Nam Information Form. The additional information yo provide in this form when requested to d so is often enough to persuade Corporation Canada of the uniqueness of your chosen name. If not, you will then have to choose an alternate name and obtain a new NUANS eport, at additional expense.

Pre-Approval of Name

f you are uncertain about the availability of the name you have chosen, you may send along your NUANS report to Corporations Canada or a name decision letter in advance of filing your articles of incorporation (without paying the filing fee). If your name choice is accepted, the letter will reserve it for 90 days while you prepare the articles of incorporation. If the name shoice is not accepted, you will be spared the effort and expense of compiling and submitting the articles of incorporation fruitlessly.

Number Name

t is not always necessary to order and file NUANS report. You may instead ask Corporations Canada to assign a number for your corporation (e.g. 1234567 Canada Ltd.) at the time your articles of incorporation are processed. Many SMEs and holding companies choose this option when a corporate name is not important, thus ensuring faster processing and saving the expense of ordering a NUANS report.

Another possibility is to apply for a number name now and later submit a NUANS report along with articles of amendment for a change in name, together with the appropriate fee. Some of our clients choose this option when hey want to be incorporated quickly, and realize here may be a delay in finding a suitable name.

Form 3, Item 1 and Form 6, Item 1

Restate your name request in Form 3, item 1, and Form 6, item 1. If Corporations Canada approves your name choice, it will assign a corporation number to be inserted in item 2 on both forms. For now, you will leave item 2 blank. ICBCA sections 10–12; CBCA Regulations 12–28)

2.2

LOCATE YOUR REGISTERED OFFICE

(Forms 1 and 3)

Form 1, Item 2

A CBCA company must have a registered office within Canada. The purpose of the registered office is to establish a location where official forms and notices can be delivered to the company. A post office box may not be used as a registered office address.

Name the province or territory in Canada where the registered office is to be located. Do not set out a specific civic address in Form 1. If your company changes addresses within the province or territory, you can submit a Form 3 indicating only the change of address, for which no filing fee is required. (If you file articles of amendment later to indicate a change in the province or territory, there will be a filing fee.)

Form 3, Items 3, 4, 5 and 6

Copy the location information from Form 1, item 2, to Form 3, item 3.

Provide the civic address of your registered office in Form 3, item 4 and the mailing address if different from that of registered office.

Since this is your first company address, simply note "not applicable" or "n/a" in items 5 and 6 of Form 3, which are to be filled in when you change your registered office address. (CBCA sections 19, 173; CBCA Regulations — Forms 1 and 3)

2.3

DESCRIBE YOUR SHARES

(Form 1)

Form 1, Item 3

An incorporated business can issue shares, which represent ownership interest in the corporation and give the holder a say in how the company is being run through the rights attached to the shares. You must specify in your articles of incorporation how many classes of shares and the maximum number (usually unlimited) for each class your company is authorized to issue. Unless you otherwise specify here, one share entitles the holder to vote at shareholders' meetings.

Shares are property, much like a car or house. The shares and the rights that go with them (you may often hear the phrase "rights that are attached to the shares") can be transferred (sold), provided that the transfer is made in accordance with any conditions or restrictions that apply to the particular shares, discussed further below.

Under the CBCA any "person" may hold shares in any company. In addition to an individual, the definition of "person" includes legal entities that are not individuals, such as trusts, mutual funds and other corporations.

Classes of Shares

Shares in general have three inherent rights:

- the right to vote
- the right to receive dividends (if any have been declared by the board of directors)
- the right to receive the property of the corporation remaining after its dissolution.

The CBCA permits a company to distribute these three rights among more than one class (type) of shares. They can be distributed in any combination, so long as all three rights are being assigned. In other words, looking at all of the share classes together, each of these three fundamental rights is assigned to at least one class but not necessarily to all.

Appendixes A and B of this guide illustrate how different classes of shares can be named and described in the articles of incorporation.

There is no limit on the number of classes of shares you set out in the articles of incorporation. Classes may be assigned names such as preferred or common, or they may simply be alphabetized such as Class A, Class B, etc. Articles of incorporation with more than one class of shares often provide for unlimited common and preferred shares, as shown in the sample in Appendix B of this guide. The common shares have the right to vote, the right to receive dividends behind the preferred shareholders, and the right to share in the property upon dissolution. The preferred shares have no voting rights but are given the right to receive dividends and to share in the property on dissolution ahead of the common shares. If there is no difference between the shares (i.e. only one class is described in the articles), they are usually referred to as common shares.

These differences in rights can be useful if you have investors with different objectives. Often voting shares are issued to the person(s) actually running the company (control shares), while special or preferred shares may be issued to partners or investors who are not involved in running the business but who have invested money in the company with the expectation of profit and income (investment shares). Thus, the common shareholder (having votes) runs the company (with the power to elect directors, approve all major activities, etc.) but may be entitled to dividends only after the preferred shareholder (the investor) is paid dividends.

(CBCA sections 6, 24, 26, 42, 43, 140; CBCA Regulations — Form 1)

In most new corporations, it is probably not necessary to create different classes of shares on incorporation. If the company is a success and it is determined later that a more complex share structure is needed, professional advice should be sought to make sure that the best structure has been chosen and that the changes to your articles (called "articles of amendment") are properly prepared.

2.4

SET OUT RESTRICTIONS ON SHARE TRANSFER

(Form 1)

Form 1. Item 4

When you are incorporating your company, you must decide whether or not to place restrictions on the transfer of your company's share Restrictions on the transfer of shares permit the shareholders and directors to control wholds shares in your company, because the limit the ability of shareholders to resell the shares. But the main reason to place these your articles is to ensure that your company a private company and so will not have to comply with the registration and prospectus filing requirements and other related procedure set out in the CBCA and provincial/territoric securities law.

Restrictions on share transfer are one three restrictions required for a company to be a private company. The remaining two are discussed in Section 2.7, Other Provisions: Private Company Restrictions/Other Clauses, of the quide.

The most common share transfer restriction provides that shares cannot be transferred by a shareholder without the prior consent, it way of resolution, of the board of directors or a majority of the shareholders (see Schedule of Appendixes A and B of this guide).

You should note that you have to make reference to these restrictions on the share certificates issued to shareholders in you company.

(CBCA sections 6, 49)

Form 1, Item 5

Set out the number of directors of the corporaion. We recommend you specify a minimum and maximum number of directors, as shown in Appendixes A and B of this guide, as a range provides more flexibility than a fixed number and may avoid the expense of having to submit priciples of amendment should you decide later to change the fixed number.

Form 6, Items 3, 4 and 5

ou must let the public and the Director under he CBCA know the identity and residential ddresses of the directors of the company. Corporations Canada will review your Form 6 to nsure that your company has one or more lirectors and that more than 25 percent of the lirectors are ordinarily resident in Canada. If he corporation has less than four directors. hen at least one must be a resident Canadian. corporations in sectors subject to ownership estriction (like airlines and telecommunicaions) or corporations in certain cultural secors (like book retailing, video, film distribution) hust have a majority of resident Canadian lirectors. The number of directors listed in orm 6, item 3, must be within the range indiated in Form 1, item 5.

Since you are forming a new corporation, which has no previous directors, item 4 is not applicable (insert "n/a"). Then restate the names and addresses of the current directors a item 5.

CBCA sections 105, 106; CBCA Regulations—

2.6

SET ANY RESTRICTIONS ON ACTIVITIES

(Form 1)

Form 1. Item 6

Set out the restrictions, if any, on the company's business activities. Most companies do not provide any restriction and simply write "none" in the space provided.

2.7

OTHER PROVISIONS: PRIVATE COMPANY RESTRICTIONS/ OTHER CLAUSES

(Form 1)

Form 1, Item 7

In addition to the restrictions on share transfers noted in Form 1, item 4, many companies adopt the two remaining "private company restrictions." They are inserted in the articles of incorporation to ensure that your company is a private company, and so will not have to comply with the registration and prospectus filings requirements and other related procedures set out in the CBCA and provincial/territorial securities law.

Most small businesses are private companies, and virtually all start out that way. Therefore, private company restrictions should appear in the original articles of incorporation of almost every small business.

To be a private company, you must restrict the number of shareholders in your company to 50 or fewer (not including employees). This is done by adding a clause to this effect in your articles of incorporation (see Schedule II of Appendixes A and B of this quide).

To be a private company, you cannot offer shares to the public. You must add a clause to this effect also in your articles of incorporation (see Schedule II of Appendixes A and B of this quide).

Note that although share transfer restrictions are set out in a separate item in your articles of incorporation, all three types of restrictions must appear for your company to qualify as a private company.

If you later decide to offer shares publicly, these restrictions will have to be removed by submitting articles of amendment and paying the appropriate filing fee. However, you will have the comfort of knowing that all previous share issuances were valid, since there was no need to comply with registration and prospectus requirements under securities law.

2.8

SIGN YOUR ARTICLES OF INCORPORATION

(Forms 1, 3 and 6)

Articles of incorporation are signed by the incorporator(s), who is (are) competent, at least 18 years of age and not in a status of bankrupt. Incorporators may — but need not — be directors or shareholders of the company after it is organized.

In addition to signature(s), Form 1 requires the names and addresses of all incorporators. Forms 3 and 6 require only one signature, along with the date and position of the informant. Once you are incorporated, Forms 3 and 6 and your annual return (Form 22) can be signed by your lawyer, accountant or anyone who has the relevant knowledge of your corporation and who is authorized to sign these documents by your company's directors.

(CBCA subsection 262.1(2))

All three forms must be submitted to Corporations Canada, either by traditional means or electronically. Each form must bear original signatures, unless submitted electronically, in which case the paper copy, manually signed, is to be maintained in the records of the corporation.

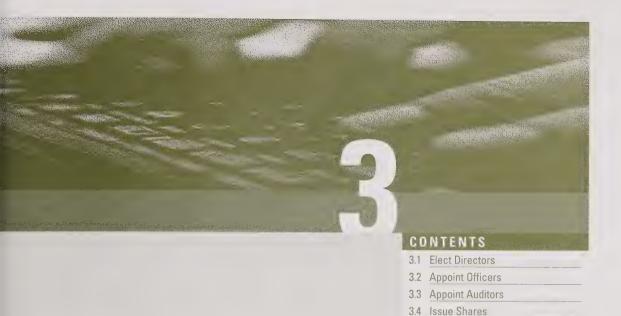
(CBCA sections 5-9)

2.9

REMIT THE FILING FEE

The filing fee must be submitted Corporations Canada along with the three required forms. It may be paid by cas MasterCard®, Visa® or cheque made payab to the Receiver General for Canada in the amount of the applicable filing fee. Filing fe are lower when paid on-line (by MasterCard or Visa® only) than when paid through a other means. In the spring of 2001, the fe were reduced to \$200 when submitted on-lin and \$250 for all other means. When payme is made through the Corporations Canad On-line Filing Centre, the Strategis Secu On-Line Electronic Commerce System ensure that on-line credit card payments are process with complete security.

(CBCA Regulations — Schedule II)



Organizing Your Company

Your newly formed corporation should hold its first meeting of directors (called an organizational meeting) shortly after incorporation. The orders of business of an organizational meeting are usually to appoint officers, issue shares, make by-laws, appoint an auditor until the first meeting of shareholders, and make banking arrangements.

3.5 Make By-Laws

(CBCA section 104)

The CBCA does not specifically require an organizational meeting of shareholders. Rather, the statute requires only that the first annual meeting of shareholders be called within 18 months following incorporation. After the first meeting, the directors must call an annual meeting not later than 15 months after its last meeting and not more than 6 months after its financial year end.

(CBCA subsection 133(1))

In practice, many corporations hold a meeting of shareholders soon after incorporation, often immediately following the directors' organizational meeting. In such a case, shareholders will elect directors, confirm the corporation's by-laws and (often) waive the audit requirement and name the corporation's accountant. Rather than hold an actual meeting, many small companies conduct this initial business through written resolution instead. If so, the resolution must be signed by all of the voting shareholders of the company.

(CBCA sections 133, 142)

Appendix E of this guide provides sample organizational resolutions that you can modify to suit the purposes of your own company.

FLECT DIRECTORS

The first director(s) of the corporation is (are) named in Form 6 — Notice of Directors or Notice of Change of Directors, which is filed with your articles of incorporation. These directors hold office from the date the certificate of incorporation is issued by Corporations Canada until the first meeting of shareholders, at which time the shareholders will elect directors to replace the first directors.

Directors elected must not object to their election if they are present at the meeting. If they are not present at the meeting, they must either act as a director or consent in writing to their election before the election or within 10 days thereafter.

The people elected to the board of directors at the first directors' and shareholders' meeting may be the same people listed in Form 6, which was submitted with your articles of incorporation. If new individuals are elected to the board, your company must file a new Form 6 indicating the change of directors within 15 days following that election.

The company's directors are responsible for the overall supervision of the affairs of the corporation. They approve the company's financial statements; make, amend and repeal by-laws; authorize the issuance of shares; and call and conduct directors' and shareholders' meetings. The directors in turn usually appoint officers, who are responsible for the day-to-day operations. In a small, private corporation, one individual may act as sole shareholder, director and officer.

For certain company activities, shareholders must give their approval. For others, the directors (and officers, if the directors have authorized them) can make important decisions in a corporation without shareholder approval. In this sense, shareholders rely on directors

and officers (together referred to as the "management") of their corporation to operate the company's day-to-day activities in a way that protects the shareholders' investment.

At the first meeting of shareholders and at each following annual general meeting at which an election is required (depending on the length or term of office the shareholders choose), shareholders elect directors. These directors will hold office for a term expiring no later than the close of the third annual general meeting of shareholders after such election. If no term is stated, the directors hold office until the next annual general meeting of shareholders. Once a director's term has expired, subject to what you have put in your company's by-laws, that individual can be re-elected as a director.

(CBCA sections 2, 102, 103, 106, 113)

Who Can Be A Director?

· at least 18 years old

A director must be:

- t an ootor made be
- of sound mind (mentally competent)
- an individual (a corporation cannot be a director)
- not in a status of bankrupt.

In addition, at least 25% of the directors of a corporation must be individuals who are ordinarily resident in Canada. If the corporation has less than four directors, then at least one must be a resident Canadian. Corporations in sectors subject to ownership restrictions (like airlines and telecommunication) or corporations in certain cultural sectors (like book retailing, video, film distribution) must have a majority of resident Canadian directors. You should keep this in mind when electing directors, and also when filling vacancies. There is no requirement for a director to hold shares in the corporation, nor is there any restriction against their holding shares.

(CBCA sections 2, 105)

Fill Your Roard of Directors

Your company must have at least one director In your articles of incorporation (Form 1, item 5 you will have specified the number of director your company is to have, either a fixed number or a range (say, from one to ten).

It sometimes happens that because death, resignation or disqualification of a director or directors, there is a vacancy on the boar of directors. If this occurs, provided that the number of directors elected constitutes a quircum (the minimum number of directors require to be present at a meeting, as specified in your company's by-laws), the board may exercise all powers of directors. Also, the director remaining on the board may fill the vacancy of vacancies on the board.

(CBCA subsections 106(7), (8))

The directors may also wish to increase their number or change the minimum number of directors. To do so, they will need approve of the shareholders to amend the articles incorporation. Alternatively, they may appoin additional directors between annual generate meetings, if this provision is made in item 7 the articles of incorporation (see Schedule III Appendixes A and B of this guide).

Shareholders may decide that, for an variety of reasons, they want to remove director they had previously elected. This is simple procedure: it generally requires the approval of a majority of the votes represente at a meeting of shareholders called for the purpose of removing the director.

(CBCA sections 2, 106, 108, 109, 111)

If the composition of your board of directors changes, either through the filling of a vacanc or the removal of a director, your company must file Form 6 — Notice of Directors or Notice of Change of Directors within 15 days following that change.

3.3

PPOINT OFFICERS

nce elected, one of the first activities ndertaken by directors is the appointment of fficers of the corporation. The officers designated an be president, secretary or any other office by wish. These officers take responsibility for the day-to-day operations of the company.

The CBCA does not impose any restrictions on who can be an officer of your corporation, other than to require officers to be adividuals. Officers may or may not be sharetolders, and they may or may not also be directors of the corporation. There is no reason why the same individual cannot act as a director, and shareholder simultaneously. In fact, for many small businesses, one individual is the colledirector, officer and shareholder.

CBCA sections 2, 121)

APPOINT AUDITORS

At the organizational meeting, directors can also appoint the company's first auditor(s), who will hold office until the first shareholders' meeting; thereafter the shareholders appoint the auditors. Once the shareholders meet, however, the shareholders may choose to waive the audit requirement, provided that all voting and non-voting shareholders agree. Most companies will retain the services of an accountant to prepare the financial statements.

A company must keep up-to-date financial statements. Copies do not have to be filed with the Director under the CBCA unless the corporation distributes its shares to the public (that is, it is listed on a securities exchange). (CBCA sections 104, 160–163; CBCA

All financial statements must be prepared in accordance with Generally Accepted Accounting Principles, as set out in the *CICA* [Canadian Institute of Chartered Accountants] *Handbook* — *Accounting* and modified from time to time.

Regulation 49)

Copies of your financial statements must be given to the shareholders at least 21 days before your company's annual general meeting each year.

(CBCA sections 155, 157, 158, 159; CBCA Regulations 44, 46)

3.4

ISSUE SHARES

One of the first corporate activities undertaken by a company following incorporation is the issuance of shares. Persons become share-holders when a company "issues" shares in that person's name, or records a transfer of previously owned shares to a person. Generally, unless you provide differently in your articles of incorporation or by-laws, shares can be issued whenever, to whomever and for whatever value the board of directors of your company decides.

Issuing shares is not complicated. Directors can decide to issue shares by majority vote. The directors' decision (called a resolution) to issue the shares must be recorded in the company's minute books. A share cannot be issued until full consideration (payment) for that share is actually received by the corporation. This consideration is generally in the form of money, although it can also be in the nature of services or property given to the company. The consideration paid for the shares, in whatever form has been agreed to by the directors, is the individual's investment in the corporation.

Once a share has been issued, the share-holder is entitled to a share certificate. This certificate must state the corporation's name, as set out in the articles of incorporation. It also must set out the name of the shareholder and the number and class of shares it represents. Finally, if your articles of incorporation contain restrictions on the transfer of shares in your company (as do most small companies; see Section 2.7, Other Provisions: Private Company Restrictions/Other Clauses, of this guide), there must be a reference to these restrictions on the share certificate itself.

Shares are issued without nominal or share value. No monetary value is set out on the certificate.

(CBCA sections 6, 25, 26, 49, 50)

MAKE BY-LAWS

You may also want to make some by-laws for the internal operations of your company. By-laws are basically an agreement between the company and its shareholders, setting out the rules by which the corporation will function. For example, you may wish your company to have some rules that are not dealt with in the CBCA. For some rules, even if they are covered in the CBCA, you may wish to modify them.

For example, the CBCA permits corporations to specify in their by-laws that directors can attend director meetings and that shareholders can attend shareholder meetings and even vote by telephone or electronically. The by-laws permit private companies to specify less than 21 days for notice of an annual meeting.

A sample by-law is presented in Appendix F of this guide. You may modify it to suit the needs of your company.

For another example, the CBCA provides that the location of shareholders' meetings can be set by the directors, unless the by-laws set out a different rule. One possibility is that shareholders' meetings will always be held at the registered office of the corporation.

By-laws can also modify other powers given to the directors of the company under the CBCA. For example, instead of the directors having the sole authority to issue shares, the by-laws could make all share issuances subject to shareholder approval.

By-laws can also deal with matters such as the appointment, qualification and duties of the officers of the company. Details could spell out who sets the salaries for directors and officers, the procedure for calling directors' and shareholders' meetings, and what minimum number of people have to be present at meetings to establish quorum for business to be legally transacted. Other topics often found in by-laws include the date of the corporation's financial year-end, banking arrangements. indemnification provisions and salary or other remuneration of directors and officers. Some companies also adopt a particular set of rules of conduct for directors' and shareholders' meetings, such as Robert's Rules of Order.

Unless your by-laws provide differently, the directors have the power to make, repeal and amend by-laws. All by-laws and by-law changes (including repeal) require shareholder approval. This approval must be received at the first regular meeting of the shareholders after the by-law has been passed by the directors. Even though a by-law does not receive approval until that meeting, the effective date of the by-law is the date of original passing by the directors. For a company with only one shareholder/director/officer, meetings are not necessary, and these approvals may be done through written resolution only (see Appendix E of this guide).

(CBCA sections 25, 103, 104, 114, 121, 125, 132, 139–141)



- 4.1 Corporate Records
- 4.2 Duties and Liabilities of Management
- 4.3 Meetings of Your Board of Directors
- 4.4 Annual General Meetings of Shareholders
- 4.5 Common Filing Requirements

Complying With the CBCA

Once your company is set up and properly organized, there are a few simple steps to take each year to ensure that your company stays in compliance with the CBCA.

This section deals only with filings under the CBCA. You will also have to make other filings on behalf of your corporation, for example, to the Canada Customs and Revenue Agency. In addition, companies must comply with registration requirements in the province(s)/territory(ies) in which they carry on business activities. These registrations often are required within a few weeks after incorporation. You should communicate with the appropriate provincial/territorial authority in this regard.

CORPORATE RECORDS

Your company is required to keep certain corporate records at the registered office of the corporation or elsewhere in Canada as set out in your by-laws. These records may be examined by the shareholders and creditors, such as suppliers, of the company on request. These records are:

- articles, by-laws and a copy of any unanimous shareholder agreements
- minutes of meetings and resolutions of shareholders
- copies of Form 6 Notice of Directors or Notice of Change of Directors that have been filed
- a share register showing the names and addresses of all shareholders and details of shares held.

(CBCA sections 20-22, 50)

Although you are not required to maintain a minute book under the CBCA, you will often hear this term. Corporate records are commonly maintained in a single book referred to as the minute book of the corporation. These are available at legal stationers and search houses.

4.2

DUTIES AND LIABILITIES OF MANAGEMENT

Because of the scope of the authority that is given to directors and officers, the law imposes a wide range of duties and liabilities on the managers of a corporation. These duties arise under the CBCA, other federal and provincial/territorial statutes and, historically, through court decisions. In general, these duties reflect the position of trust that management holds in relation to the company and its owners, the shareholders.

Among the most important of the duties set out in the CBCA is the duty of care. This duty requires directors and officers to act honestly, in good faith and in the best interests of the company. They must exercise at least the level of care and diligence that a reasonable person would exercise in comparable circumstances. This duty makes it clear that directors and officers must act in the interests of the company, as opposed to their own personal interest.

Directors and officers may not avoid liability because they did not know what the company was doing. In other words, there is a positive obligation on each director and officer to be informed of what is going on within the scope of his or her authority, and to make sure that what is being done is legal and in the best interests of the company. In doing so, the CBCA permits directors to rely on the reports of experts, such as financial statements or legal opinions, in certain circumstances. Nor are directors liable if they exercise the same degree of care, diligence and skill that a reasonable prudent person would have exercised in comparable circumstances.

The CBCA also seeks to avoid conflicts between the interests of the company and those of the directors or officers. For instance, directors and officers are required to disclose in writing any personal interest they may have in a contract with the corporation. Failure to disclose could be grounds for a court to so aside the contract upon application by the company or a shareholder. The CBCA also imposes certain specific liabilities; for instance, directors are personally liable for up to six months' worth of unpaid wages to employees of the company and for an unpaid source deductions.

Because of the extent of liability imposed of the directors and officers of your company, vo may want to consider some means of protection For instance, your corporation may purchas insurance for directors and officers against ar liability for which they become responsib when acting as a director or officer. The con pany may also indemnify (i.e. compensate for loss; promise to pay for any costs incurred by person in certain circumstances) its director and officers for costs they have to pay, exce where the director or officer has failed to a honestly and in the company's best interest The corporation may even advance funds directors to help them pay defence costs as the are incurred, though these costs must be pa back to the corporation if the director is not sur cessful in defending himself or herself.

(CBCA sections 118-124)

Directors must at all times remain free to assess what is in the best interests of the company and to act on this assessment. For the reason, directors cannot prepare an agreement among themselves in advance on how they will act in a given future situation.

However, all of the shareholders of the company may enter into a unanimous shareholder agreement that transfers some or all of the directors' responsibilities and powers to the shareholders. If power is transferred awa from a director, that director cannot be responsible for not exercising that power. (Unanimous shareholder agreements are discussed in more detail in Section 5.4, Shareholder Agreement of this guide.)

4.3

VIEETINGS OF YOUR BOARD OF DIRECTORS

Since directors are responsible for overseeing he operations of the company, there are many occasions when a directors' meeting may be necessary. After the initial organizational meetng, boards of directors of most companies neet on a regular basis, such as monthly, quarerly or even annually, depending on the needs of your company, to oversee the operations of he business. Directors may also need to meet o conduct special business. For example, firectors' meetings are required to replace etired directors or officers, make by-laws, ssue shares or recommend a significant change in the way the corporation conducts its ousiness. Directors must also meet to call the annual general meeting of shareholders and to approve financial statements. Immediately ifter the annual general meeting of shareolders, the directors just elected meet to ppoint officers for the coming year.

Meetings of the board can be held whenever and wherever the board wants, unless the py-laws or articles of your company say differently. A quorum of the directors must be present and at least 25% of them must be resident in Canada.

CBCA sections 103, 104, 110, 114, 117)

The CBCA permits directors to conduct pusiness by using signed resolutions instead of holding actual meetings. This can be very useful in a small business having only a few directors (or even one). Meetings can also be held entirely by telephone or electronically, or attended by one or more directors by relephone or electronically if the by-laws permit and so long as all participants in the meeting can communicate fully.

4.4

ANNUAL GENERAL MEETINGS OF SHAREHOLDERS

Annual general meetings are meetings of the shareholders of the corporation, which must be held each year during the company's existence. The directors of a company must call the first annual general meeting within 18 months of its date of incorporation, and some corporations hold this meeting following the organizational meeting of directors. After the first meeting, the corporation must hold a general meeting within 15 months of its previous annual general meeting and within 6 months of its financial year end.

At the annual general meeting of shareholders, provided a quorum is present, the shareholders appoint auditors, elect directors, review financial statements and raise any other business they wish to address.

Appendix G of this guide provides a sample notice of an annual general meeting to be held, together with a sample of the minutes of such a meeting. The agenda and the proceedings can be modified from this sample according to the circumstances for your own company to ensure that all of the required business is conducted.

The annual general meeting should be held at the place in Canada where the registered office is situated or in a place outside Canada specified in your company's by-laws or such other place as the directors determine. Your company must send notice of the time and place of the meeting to shareholders entitled to vote not more than 60 and not less than 21 days before the date of the meeting. For example, if the meeting is to take place on May 20, the notice should not be sent sooner than March 31 nor later than April 30. This notice can be provided electronically to shareholder who consent to receiving it electronically and who designate a system for receiving it and if the

by-laws or articles do not provide otherwise. (CBCA Part XX.I). Unless the articles of incorporation otherwise provide, each share of the company entitles the holder of the share to one vote.

Section 136 of the CBCA permits shareholders to waive notice of meetings (attendance is generally deemed to be waiver of notice). This is useful for companies having only one or two shareholders. Furthermore, if all of the shareholders of a corporation entitled to vote sign a written resolution dealing with items usually covered at the meeting, no meeting is necessary.

A shareholder entitled to vote has the right to appoint a proxy holder to attend and vote at any shareholders' meeting on behalf of that shareholder. For a company having 15 or more shareholders, special rules apply. For example, management would have to send a form of proxy and management proxy circular along with notice of a meeting, but these rules are beyond the scope of this guide (see Section 5.3, Shareholders' Meetings, of this guide for more information on shareholders' meetings in private companies).

(CBCA sections 132, 133, 135, 136, 139, 140; CBCA Regulations 32–36)

COMMON FILING REQUIREMENTS

The table below illustrates the CBCA filings you will, or may, be required to make. Note that the list does not address many possible changes to your articles nor requirements specific to public companies.

Annual Return

Every corporation must submit an annual return to Corporations Canada using Form 22 — Annual Return (see Appendix H of this guide for a sample form correctly

filled out), either by traditional means or electronically through the Corporations Canada On-line Filing Centre.

The annual return contains information such as:

- the corporation's taxation year-end date
- changes in directors' or registered office address
- whether the corporation has 15 or more shareholders.

Annual returns must be filed within six months of the taxation year-end of your company.

Industry Canada and the Canada Customs and Revenue Agency permit you to file your annual return information together with your corporal income tax return using Schedule 80 to the T2 Corporate Income Tax Return. Since January 1999, the date for filing your annual return has changed to within six months of the taxation year-end of your corporation, the same date by which your corporate income tax return must be filed.

An annual return filing fee must be su mitted to Corporations Canada along wi your annual return. It may be paid by cas MasterCard®, Visa® or cheque made payab to the Receiver General for Canada in the amount of the applicable filing fee. The annual canada in the applicable filing fee.

Common Filina Requirements

Common Time Notation				
Event or Occurrence	Action Required	Form	CBCA Reference	
The company changes the civic address of its registered office within the province or territory in Canada where its head office is located	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 3 (see Appendix C of this guide)	s. 19	
The company changes the civic address of its registered office outside the province or territory in Canada where its head office is located	Submit articles of amendment and notify the Director under the CBCA within 15 days after the change (fee of \$200)	Forms 3 and 4 (articles of amendment)	ss. 19 and 173 <i>(1)(b)</i>	
The company changes directors, within the minimum and maximum numbers provided in Form 1	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Appendix D of this guide)	ss. 106, 113	
The company changes directors and changes the minimum and/or maximum numbers provided in Form 1	Submit articles of amendment and notify the Director under the CBCA within 15 days after the change (fee of \$200)	Forms 4 and 6 (articles of amendment)	ss. 106, 112, 113, 173 <i>(1)(m)</i>	
There is a change in the names or residential addresses of the company's directors	Notify the Director under the CBCA within 15 days after the change (no fee required)	Form 6 (see Appendix D of this guide)	s. 113	
Annually	File an annual return with the Director under the CBCA within six months of its taxation year-end (fee of \$20 when paid on-line through the Corporations Canada On-line Filing Centre; fee of \$40 when paid by any other means)	Form 22 (see Appendix H of this guide)	s. 263; Regulations Schedule II	

Note: Fees may be paid by cash, MasterCard®, Visa® or cheque made payable to the Receiver General for Canada.

eturn filing fees are lower when paid on-line by MasterCard® or Visa® only) than when paid hrough any other means. Fees are now \$20 when submitted on-line and \$40 for all other means. When payment is made through the Corporations Canada On-line Filing Centre, the Strategis Secure On-Line Electronic Commerce System ensures that on-line credit card payments are processed with complete security. ICBCA section 263; CBCA Regulations —

A complete list of current fees is available from Corporations Canada — see the Contacts section at the back of this guide.

Certificate of Compliance

You may be required at some point in time to provide to a supplier, banker, etc. a certificate of compliance for your company. A certificate of compliance is issued by the Director under the CBCA at the request of the company or another interested party. It states that the company in question has paid all fees, sent all forms required under the CBCA, and existed as of a specific date.

The need for a certificate of compliance usually arises in the context of a financing transaction such as a loan. Another example is when someone is making a substantial equity investment and wants assurance that your corporation has not been dissolved.

Administrative Dissolution and Revival

It is important to comply with the filing requirements set out in this section, especially the annual return.

In the case of repeated or persistent non-compliance with the Act or non-payment of fees, the Director under the CBCA could dissolve your corporation, which would end its existence. This may happen, for example, if your company fails to file its annual return (Form 22 — see Appendix H of this guide for a sample).

Notices from Corporations Canada pertaining to non-compliance under the CBCA are sent to the address on record. If a response is not received, perhaps because the notices cannot be delivered due to the corporation's failure to submit the correct address in Form 3, the Director under the CBCA could proceed with a dissolution, even though the corporation does not want to be dissolved.

Corporations Canada will make several attempts to have the company correct any filing deficiencies by sending out notices of non-compliance (provided, of course, that it has the correct mailing address on file). If the company still does not comply (for example, by filing the outstanding form(s) after notice has been sent), the Director under the CBCA will issue a certificate of dissolution, and the corporation will cease to exist.

For a corporation to become re-activated, it will have to go through a procedure known as revival. It will have to remedy the non-compliance, file articles of revival and remit the prescribed fee for revival.

(CBCA sections 209, 212-214)

An information kit detailing all the required steps for a revival is available from Corporations Canada (see the Contacts section at the back of this guide).

There are additional circumstances under which the Director under the CBCA has the power to dissolve corporations. Alternatively, the Director under the CBCA may seek compliance through civil court action for specific acts of non-compliance.



CONTENTS

- 5.1 Becoming and Ceasing to Be a Shareholder
- 5.2 Shareholder Resolutions
- 5.3 Shareholders' Meetings
- 5.4 Shareholder Agreements

Shareholders

A person who owns shares in a corporation is called a shareholder. Generally speaking and unless the articles of incorporation provide otherwise (Form 1, item 3), each share in the corporation entitles the holder to one vote. The larger the number of shares held, the larger the number of votes a shareholder generally can exercise.

An active company must have at least one class of shares and at least one shareholder. Shareholders have limited liability in the corporation, and generally are not liable for the company's debts. On the other hand, shareholders generally do not actively run the corporation.

In many small businesses, the shareholders, directors and officers are the same people. A shareholder who is also a director or officer does assume certain liabilities, as described in Section 4.2, Duties and Liabilities of Management, of this guide.

The CBCA provides shareholders with access to certain information about the corporation. For example, shareholders are entitled to inspect (and copy) the corporate records, and are entitled to receive the company's financial statements at least 21 days before each annual general meeting. Shareholders elect directors, approve by-laws and by-law changes, appoint the auditor of the corporation (or waive the audit requirement) and approve certain major or fundamental changes to the corporation, its structure and business. These changes include matters such as a sale of all or substantially all of the assets of the business, a change of name, and articles of amendment altering share rights or creating new classes of shares.

(CBCA sections 21,106, 155, 159, 162, 163, 173)

BECOMING AND CEASING TO BE A SHAREHOLDER

A person becomes a shareholder by acquiring shares from the company or an existing shareholder. The basic ways of becoming a shareholder are:

- purchasing shares that have not previously been issued by the company (referred to as "buying shares from treasury"), either on incorporation or later
- buying shares in the company from an existing shareholder (in accordance with the terms set out in your articles) and having the company register the transfer.

A person ceases to be a shareholder once his or her shares are sold either to a third party or back to the company (all in accordance with the articles of your corporation), or when the company is dissolved.

(CBCA sections 25, 48, 49, 76, 213)

5.2

SHAREHOLDER RESOLUTIONS

Broadly speaking, shareholders exercise most of their influence over how the corporation is run at shareholders' meetings through resolutions.

Note that the term "resolution" can take on different meanings depending on the context:

- a written record of decisions taken in lieu of an organizational meeting (see Appendix E of this quide)
- a decision made at an annual or special meeting based on the required number of votes in favour by shareholders entitled to vote (see Appendix G of this quide)
- a document signed by all shareholders in lieu of a meeting of shareholders.

There are two main types of shareholder resolutions:

- Ordinary resolutions: require a simple majority (50 percent plus 1) of votes cast by shareholders. Examples are decisions shareholders take on a regular basis, such as electing directors and appointing auditors.
- Special resolutions: must have the approval of two thirds of the votes cast. Examples are unusual activities such as changing the corporation name, selling all or substantially all the company's assets or changing the primary line of business (i.e. important questions that affect the company as a whole).

(CBCA sections 2, 142)

5.3

SHAREHOLDERS' MEETINGS

Shareholders usually exercise their influence over how the corporation is run at shareholders' meetings (see also Section 4.4, Annual General Meetings of Shareholders, of this guide). The CBCA and your company's article and by-laws set out rules about meetings including minimum notice periods and who can attend and vote. In order for the decision (resolutions) taken at the meeting to be binding, these detailed requirements must be meeting to be precific additional rules apply for companies with 15 or more shareholders, which are not dealt with in this guide.

In a small business, the same one or two people may be acting as directors, officers and shareholders, and meetings will not necessarily occur. One- or two-person companies often prefer to use written resolutions rather than hold a formal meeting. If every shareholder signs a written record setting out the terms of the necessary resolutions, then a shareholders meeting need not be held.

A shareholder's ability to attend and vote a a meeting depends on the rights attached the class of shares that person is holding. As general rule, shareholders entitled to vote at meeting are entitled to attend the meeting (While the CBCA provides holders of nor voting shares the right to attend certain meetings and vote on certain fundamental issues a discussion of these issues is beyond the scope of this guide.)

(CBCA sections 132-135, 140)

Calling A Shareholders' Meeting

oting shareholders and, in special circumtances, of all shareholders. Shareholders who win 5 percent of the issued voting shares of company can require the directors to call a neeting of shareholders. Shareholders' meetings are normally called by the directors of the corporation. The board is required by the BCA to call an annual general meeting within 5 months of the preceding one and within months of the financial year end.

CBCA sections 133, 143)

n practice, many companies tend to hold nnual meetings around the same time each year.

Directors must send out the notice of neetings to shareholders within the time frame set out in the CBCA or as modified by your py-laws. A shareholder can waive notice of a neeting. Attendance at the meeting is considered waiver of notice, unless the shareholder attends the meeting to complain about improper notice.

The notice for a special meeting (see next section) not only must state the time and place of the meeting, but also must provide the shareholders with enough information to know in dvance what they will be asked to consider and vote on at the meeting.

CBCA sections 2, 132-136)

Shareholders' Meeting Requirements

A quorum of shareholders must be present or epresented at the meeting, or no business can be conducted that is binding on the company. A quorum is the minimum number of votes equired to be represented at the meeting, which is a majority, unless your by-laws provide a lower or higher quorum.

CBCA sections 139-141)

The company must keep a written record of the meeting. The record usually includes information such as where and when the meeting was held, who attended and the results of any voting. These records are commonly referred to as minutes and are kept in the corporation's minute book.

(CBCA sections 20, 21, 142)

If all shareholders sign a written resolution setting out the terms of their resolutions instead of holding a meeting, these also should be kept in your minute book.

Under the CBCA, there are two specific types of shareholders' meetings:

- Annual general meetings: Under the CBCA, your company must hold an annual general meeting within 18 months of its incorporation, and thereafter within 15 months of the previous annual general meeting and within 6 months of its financial year end. At an annual general meeting, the following four items must be on the agenda:
 - consideration of the financial statements
 - appointment of the auditor (unless all shareholders have agreed not to appoint an auditor)
 - election of directors
 - any other business matters that come up.

Although the term "any other business" is quite vague, directors cannot deliberately leave an item off the agenda (which would have the effect of preventing shareholders from preparing for the discussion) and then bring the matter up as "other business." Rather, this is the place on the agenda for shareholders to raise and discuss matters of concern to them.

Special meetings: Meetings of the share-holders may also be called to deal with specific questions or issues, such as whether to approve a fundamental change (e.g. change of name) that the directors of the company are proposing. Generally, the directors will call a special meeting of the shareholders when they want to take a particular activity or deal with a special issue requiring shareholder approval, such as amendments to articles. (CBCA section 133)

As a very general rule of thumb, ordinary resolutions are required at annual general meetings, and special resolutions are required at special meetings.

It is often convenient to combine special meetings with annual general meetings. Under the CBCA, this process is allowed, but notice of the meeting must clearly indicate that there will be special business to consider.

(CBCA sections 2, 132-136, 139, 140-142)

SHAREHOLDER AGREEMENTS

A shareholder agreement is an agreement entered into by some, and usually all, of the shareholders of a corporation. The agreement must be in writing, and must be signed by the shareholders who are a party to it. While shareholder agreements are specific to each company and its shareholders, most of these documents deal with the same basic issues.

The CBCA allows shareholders to enter into written agreements that restrict the powers of the directors to manage or supervise the management of the corporation in whole or in part. However, to the extent that shareholders assume the rights, powers and duties of directors, they also assume the liabilities of directors to the same extent. For example, if the shareholders assume the directors' duties to pay officers their wages, then they may also have to assume the personal liability to pay these officers as much as six months wages if the corporation does not meet this obligation.

The relationship among shareholders in a small company tends to be very much like a partnership, with each person having a say in the significant business decisions the company will be making. Obviously, a shareholder agreement is not necessary in a one-person corporation. However, you may consider entering into a shareholder agreement if you have more than one shareholder, or when you want to bring in other investors as your business grows.

Management of the Company and Relations among Shareholders

Under the CBCA, in the absence of a share-holder agreement, the board of directors has control over the management of the company. Because directors are elected by ordinary resolution of the shareholders, if one of them has more than 50 percent of the votes, that shareholder alone can decide who will sit on the board. In a small corporation, minority shareholders (those with a small stake in the company) may not feel adequately protected by a board of directors elected by a majority shareholder and may want to negotiate a shareholder agreement to more closely protect their investment in the company.

A very common shareholder agreement provision for a small company gives all the shareholders the right to sit on the board of directors, or nominate a representative for that purpose. Each shareholder agrees in the document to vote his or her shares in such a way that each one is represented on the board, thus ensuring all shareholders an equal measure of control.

Shareholder agreements may also provide that certain significant decisions require a higher level of shareholder approval than is set out in the CBCA. For example, an agreement might provide that a decision to sell the business must be approved unanimously by all shareholders, whereas the CBCA requires only a special resolution (approval by two thirds of shareholders).

Shareholder agreements may set rules directing how the future obligations of the company will be shared or divided. Say each shareholder invested a minimal amount to get the business going, looking to bank loans or other credit for growth. The shareholders may agree that, when other means of raising funds are not available, each shareholder will contribute more funds to the company on a pro rata basis. This means simply that the extent of a shareholder's obligation to fund the corporation

would be determined by the extent of that share holder's ownership interest (the percentage of shares held) in the company. So, three equal partners starting a company (with equal share held by each) might sign a shareholder agreement that each will be responsible to fund on third of any future obligations of the companthrough the purchase of more shares.

Other rules often found in shareholder agreements govern the future purchase of shares in a company when no funding is needed. In such a case, the shareholders coul agree to maintain the same percentage of holdings among themselves. Three equal partner could agree that no shares in the corporation will be issued without the consent of a shareholders/directors. In the absence of such a provision, two shareholders/director could issue shares by an ordinary or special resolution (because they control two third of the votes) to themselves without including or requiring the permission of the third shareholder/director.

Restrictions or Prohibitions on Share Transfer

Restrictions on share transfer are use to enable shareholders to control who will become a shareholder in their company.

By placing such restrictions in a shareholder agreement instead of in your articles of incorporation, shareholders can remove or alter them without the company having to file articles of amendment. Note that these are separate from the restrictions placed in your articles of incorporation as part of the private company restrictions (see Section 2.4, Set Out Restrictions on Share Transfer, of this guide).

Of course, the most effective way to ensure ownership control is a provision prohibiting share transfers entirely, or for a certain period of time (such as five years). Because this is such an extreme measure, however, it is rarely seen.

Another provision is the right of first efusal, which basically states that any shareolder who wants to sell his or her shares must irst offer those shares to the other shareolders of the company before selling them to in outside party.

Shareholder agreements may also set out ules for the transfer of shares when certain events occur, such as the death, resignation. lismissal, personal bankruptcy or divorce of shareholder. The restrictions can include letailed plans governing when a shareholder an or must sell his or her shares, or what hapens to those shares after the individual shareolder has left. The shareholder agreement, for example, may require that the shares be transerred to the remaining shareholders or to the orporation, often at fair market value. These provisions are complex, and usually set out nechanisms for the transfer, including notice and how the transfer price will be funded. operators of small businesses who enter into greements with this sort of exit provision ometimes purchase life insurance to fund the ayment obligations of the party who will be nurchasing the shares.

Other shareholder agreement provisions nay include non-competition clauses, condentiality agreements, dispute resolution nechanisms and details respecting how the hareholder agreement itself is to be amended or terminated.

Shareholder agreements are voluntary. If you choose to have one, the shareholder agreement should reflect the particular needs of your company and its shareholders. While undoubtedly the best advice is to keep your agreement as simple as possible, we strongly suggest that you consult your professional advisors before signing any shareholder agreement.

Special Agreements

The CBCA also deals specifically with two particular types of shareholder agreements:

Pooling agreements: The CBCA provides that shareholders may, in a written agreement between two or more shareholders, agree on how their respective shares will be voted on any particular matter. Shareholders could enter into an agreement solely for the purpose of determining, for instance, how they will vote their shares to elect directors. Shareholders may also decide to include a pooling provision in a larger shareholder agreement.

(CBCA subsection 146(1))

 Unanimous shareholder agreements: The CBCA also permits all of the shareholders of the company, in a written agreement, to transfer all or some of the powers of the directors to the shareholders. Where there is only one shareholder, that person may sign a written declaration that has the same effect as a unanimous shareholder agreement. The wording must be very precise: an agreement signed by all of the shareholders does not fit the definition of a unanimous shareholder agreement if it does not deal with the transfer of powers, and the responsibilities that go along with them, from the directors to the shareholders.

(CBCA subsection 146(2))

Frequently Asked Questions

Who can form a corporation?

One or more competent individuals who are 18 years of age or older and who are not in a status of bankrupt may form a corporation under the Canada Business Corporations Act (CBCA). Similarly, one or more companies or "bodies corporate" may incorporate a company. These persons are called incorporators. An incorporator (individual or corporation) may form a corporation whose shareholders, officers and directors are other persons, or may serve as the sole director, officer and shareholder of the company. An incorporator is also responsible for organizational procedures, such as filing the articles of incorporation and designating the first directors.

A company can be incorporated under the laws of only one jurisdiction. You must decide whether to incorporate federally under the CBCA, or under the laws of a province or territory instead of the CBCA. Requirements vary, and you should contact the jurisdiction under which you wish to incorporate for precise details. This guide contains information specific to the CBCA, the federal legislation governing incorporation.

What kinds of businesses can incorporate under the CBCA?

Almost any type of business may incorporate under the CBCA. However, banking, insurance, and loan and trust companies, as well as non-profit corporations, are incorporated under different statutes.

There are no restrictions such as minimum company size on the businesses that may incorporate under the CBCA. While all provinces and territories have similar legislation for companies operating within their borders, only the CBCA is national in scope.

Many small businesses incorporating under the CBCA have the intention (either now or sometime in the future) of operating in more than one province or territory. They choose to incorporate under the CBCA now in order to simplify their business relations later if they decide to expand operations or grow larger.

Should I incorporate?

This depends on your particular situation. The most common forms of business organization are the sole proprietorship, partnership and corporation. Each of these forms of business has its own advantages and disadvantages, and the most appropriate form for you as a small business owner will depend on your particular circumstances. Some of the benefits of incorporating are set out in Section 1.1, Benefits of Incorporating, of this guide. This guide focusses on incorporation for small businesses under the CBCA.

Do I need to hire a lawyer to incorporate?

No. A lawyer may provide valuable advice, but is not a requirement for incorporation.

If I decide to incorporate, what next?

Federal corporations are formed whe you file articles of incorporation with Corporations Canada, and a certificate of incorporation is issued. Fill out the blant forms accompanying this guide and sent them to the address listed in the Contact section at the back of this guide. Sample of correctly filled forms are included in the Appendixes of this guide for your convertience. You may modify the samples to suryour own specific circumstances.

So long as the forms are filed properl and the appropriate fee is paid, the Directo under the CBCA will issue a certificate of incorporation.

How long does it take to get incorporated?

Corporations Canada operates durin normal business hours five days a weel We can usually issue your incorporatio papers within five business days, whe they are delivered to our office by pos Faster service is usually available whe you deliver your documents by hand When you file on-line through the Corporations Canada On-line Filin Centre, we can offer very expedier (same-day or next-day) service.

How much does it cost to incorporate?

Filing fees for articles of incorporatio under the CBCA are lower when paid on-line than when paid through any other means. Fees are now \$200 when submitted on-line and \$250 for all other means. In addition, unless your companis going to request a numbered name, you

will have to file a NUANS name search report (see Section 2.1, Choose a Name, of this guide), which may be ordered on-line at www.strategis.gc.ca/corporations or from an independent search house. Of course, if you obtain legal advice when completing your articles of incorporation, there will be professional fees in addition to your filing fee.

Oo I have to get a corporate seal?

A corporation under the CBCA is not required to have a seal. If you wish to have a corporate seal for your corporation, you may purchase one from a legal stationery store or commercial supplier.

f I incorporate federally, do I have o register or file anything with the provinces or territories?

Yes. Whether you incorporate federally or provincially/territorially, you will likely be required to register your business in any province or territory where you carry on business. Although Industry Canada is working with provincial and territorial officials to decrease this burden, each province and territory right now has individual requirements for registering corporations from outside its borders. You should contact the local corporate law administration office in each province or territory in which you plan to carry on business to determine which obligations may be placed on your corporation (http://strategis.ic.gc.ca/epic/internet/ incd-dgc.nsf/vwGeneratedInterE/ cs01134e.html).

Where can I get more information about incorporating?

The Contacts section at the back of this guide contains mailing addresses, phone numbers and other contact information of knowledgeable corporate specialists in our offices who can respond to your specific requests, as well as of other federal government resources for small businesses.

What are the advantages of incorporating on-line?

Filing on-line through the Corporations Canada On-line Filing Centre (http://strategis.gc.ca/corporations) has many advantages: it is less expensive (the incorporation and annual return filing fees are lower when paid on-line than when paid through any other means); it is convenient (you can file from the office or home 24 hours a day, seven days a week); and it is fast (you receive immediate acknowledgment of your filing, and there is usually same-day or next-day processing).

Is it safe to pay fees on-line?

Yes. There's no need to worry about on-line payments using your MasterCard® or Visa® — the *Strategis* Secure On-Line Electronic Commerce System ensures that all transactions are processed with complete security.

How do I file articles of incorporation for a CBCA corporation on-line?

Go to the Corporations Canada On-line Filing Centre (http://strategis.gc.ca/corporations). Register with the Strategis Secure Server Facilities to access the On-line Filing Centre Home Page, then choose Articles of Incorporation from the list of menu choices available. Select one of the four incorporation options available: a numbered corporation; a corporation with a pre-approved name; a corporation for which name approval is sought and a NUANS report attached; or a numbered name corporation that has been pre-reserved. Then follow the user-friendly instructions provided.

Do on-line documents have to be signed?

When documents are filed in electronic format, an original signature is not required. However, originally signed copies of all documents must be maintained in the records of the corporation.

Glossary of Terms

Annual Return: Form 22 under the CBCA (see Appendix H of this guide). This form is not to be confused with annual financial statements or annual reports.

Articles of Incorporation: Form 1 under the CBCA (see Appendixes A and B of this guide). To incorporate under the CBCA, you must correctly complete Form 1, together with Form 3 and Form 6 (see Appendixes C and D of this guide), all bearing original signatures, except when sent electronically (see Chapter 2, Submitting Articles of Incorporation, of this guide) and deliver them to Corporations Canada at the address listed in the Contacts section at the back of this guide or electronically. Corporations Canada will keep the documents on file and return a copy to you with your certificate of incorporation. The articles, when filed, create your corporation, and set out important matters such as the number of directors and types of shares a corporation will have. This form (as are all forms referred to in this guide) is available from the Corporations Canada Web site or by mail (see the Contacts section at the back of this guide).

By-Laws: Basically, the agreement between the company and its shareholders setting out the internal rules by which the corporation will function. These often deal with matters such as meetings of directors and shareholders (see Appendix F of this guide).

Corporations Canada (formerly the Corporations Directorate): The branch of Industry Canada that administers the CBCA, and the office with which all filings, such as articles of incorporation, are made.

Director: An individual elected by the shareholder(s) to supervise the management of a corporation. Together, all directors of a company are referred to as the "board of directors." All federal corporations are required to have one or more directors, a majority of whom must be ordinarily resident in Canada.

Director Appointed under the CBCA: The individual appointed by the federal Minister of Industry under the provisions of the CBCA to independently administer the statute. This individual is referred to as the "Director under the CBCA."

Dissolution: The act of ending the existence of a corporation, under certain circumstances, by filing the required documents with Corporations Canada. Your company could also be dissolved by the Director under the CBCA for failure to comply with the legislation (see "Administrative Dissolution and Revival" in Section 4.5, Common Filing Requirements, of this guide).

Dividend: The share of profit payable to shareholders on their shares.

Federal Incorporation: Incorporation under the CBCA rather than under a provincial or territorial statute.

Incorporation: The act of establishing a corporation by filing the required documents.

Indemnity: Compensation for loss; a promise to pay for costs incurred by a person in certain circumstances.

Officer: An individual appointed by the director(s) of a corporation to manage the day-to-day business of a company, such as president, vice president, secretary, treasurer, etc. The position of officer is distinct from that of director (see above), although one individual in a small corporation very often occupies both positions.

Private Company: In general, a company that does not sell its shares to the public (i.e. is not listed on a stock exchange). The transfer (sale) of shares in the company is restricted in some way, such as by the requirement that the directors or shareholders have to approve in advance any transfer of shares.

Quorum: The stated minimum number of people entitled to attend a meeting who must be present for business to be conducted. Company by-laws may specify the minimum number of directors who must be present at a meeting of the board of directors or the minimum number of shareholders who must be present at a shareholders' meeting; if not, the CBCA sets out quorums.

Resolution: A statement of a decision reached either by directors or by share-holders of a company. A resolution may be written if all parties agree and sign it, or may be made orally in a meeting on the basis of a number of votes cast and then recorded in the minutes. An ordinary resolution is one passed by a majority of the votes cast, while a special resolution is one passed by a majority of not less than two thirds of the votes cast.

Share: A measure of ownership of a corporation. Some people refer to the share certificate as a stock. Shares are distinguished from securities, which are any type of investment instrument, including shares.

Shareholder: An owner in a corporation; a person holding shares in a corporation. Because many activities, such as electing directors, must be done or approved by shareholders, an active corporation must have at least one shareholder.

Appendix A

AMPLE ARTICLES OF INCORPORATION: ONE CLASS OF SHARES

Can	nada Business porations Act	Loi canadienne sur les sociétés par actions	FORM I ARTICLES OF INCORPORATION (SECTION 6)	FORMULE I STATUTS CONSTITUTIFS (ARTICLE 6)
Name of	the Corporation	-	Dénomination sociale de la soci	été
	Consulting			
2 The provi	ince or territory	in Canada where the registered off	ice is La province ou le territoire au C	anada où est situé le siège social
Name o	of the pr	ovince or territory	in Canada	
3 The class corporation	ses and any max on is authorized	dimum number of shares that the to issue	Catégories et le nombre maxim émettre	al d'actions que la société est autorisée à
An un	limited n	umber of common shar	es	
4 Restrictio	ons, if any, on sl	hare transfers	Restrictions sur le transfert des	actions, s'il y a lieu
See at	ttached S	chedule I		
Minimu	um of 1,	i maximum number) of directors maximum of 10 ne business the corporation may ca	Nombre (ou nombre minimal et my on Umites imposées à l'activité cor	maximal) d'administrateurs nmerciale de la société, s'il y a lieu
Minime	um of 1,	maximum of 10		
Minimu 6 Restrictio None	ons, if any, on the	maximum of 10		
Minimu 6 - Restrictio None 7 - Other pro	um of 1, ons, if any, on the ovisions, if any ttached S	maximum of 10 ne business the corporation may ca chedule II	Curry on Limites imposées à l'activité cor Autres dispositions, s'il y a lieu	nnmerciale de la société, s'il y a lieu
Minimu 6 - Restrictio None 7 - Other pro	um of 1, ons, if any, on the	maximum of 10 ne business the corporation may ca chedule II	ny on Limites imposées à l'activité cor	nmerciale de la société, s'il y a lieu Signature
Minimu 6 Restrictio None 7 Other pro See at	um of 1, ons, if any, on th ovisions, if any ttached S actors - Fondateur	maximum of 10 ne business the corporation may ca chedule II	Curry on Limites imposées à l'activité cor Autres dispositions, s'il y a lieu	nnmerciale de la société, s'il y a lieu
Minimum 6 Restriction None 7 Other pro See aid 8 Incorpora N Jane 5	um of 1, ons, if any, on the ovisions, if any ttached S ators - Fondateur tame(s) - Norm(s	maximum of 10 se business the corporation may ca chedule II ss 555 Any Str	Autres dispositions, s'il y a lieu Address (including postal code) dresse (including North Postal) eet, Anytown ON M1A 5T6	nmerciale de la société, s'il y a lieu Signature
Minimm Minimm None 7 - Other pro See at 8 - Incorpora N Jane S	um of 1, ons, if any, on the ovisions, if any ttached S ators - Fondateur tame(s) - Norm(s	maximum of 10 ne business the corporation may call chedule II rs 555 Any Str	Autres dispositions, s'il y a lieu Address (including postal code) dresse (including North Postal) eet, Anytown ON M1A 5T6	nmerciale de la société, s'il y a lieu Signature

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation: OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors and/or the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial/territorial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial/territorial securities regulation.

The CBCA allows for a number of provisions that may be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the estriction on the number of shareholders and any distribution of shares to the public, which are nimed at excluding the company from regulation by securities laws) or institutions (the limits on corrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

ther provisions:

- a) The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- b) Any invitation to the public to subscribe for securities of the Corporation is prohibited.
 - If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
 - (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

d) The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Appendix B

SAMPLE ARTICLES OF INCORPORATION: TWO CLASSES OF SHARES

Corporations Act société	adienne sur les s par actions	FORM I ARTICLES OF INCORPORA (SECTION 6)	ATION	FORMULE I STATUTS CONSTITUTIFS (ARTICLE 6)
I Name of the Corporation		Dénomination social	le de la société)
ABBA Consulting Inc				
2 - The province or territory in Canada situated	a where the registered office is	La province ou le ter	rritoire au Cana	ada où est situé le siège social
Name of the province	e or territory in	Canada		
3 The classes and any maximum nu corporation is authorized to issue	mber of shares that the	Catégories et le non émettre	mbre maximal	d'actions que la société est autorisé
An unlimited number with the rights, pr attached.				
4 Restrictions, if any, on share trans	ifers	Restrictions sur le tr	ransfert des ac	tions, s'il y a lieu
Number (or minimum and maximum Minimum of 1, maxim None	um of 10			uximal) d'administrateurs perciale de la société, s'il y a lieu
Minimum of 1, maxim 6 Restrictions, if any, on the busines None 7 Other provisions, if any See attached Schedu	um of 10		'activité comm	
Minimum of 1, maxim 6 Restrictions, if any, on the busines None 7 Other provisions, if any See attached Schedu 8 Incorporators - Fondateurs	um of 10 ss the corporation may carry or le II	umites imposées à l'Autres dispositions,	'activité comm	perciale de la société, s'il y a lieu
Minimum of 1, maxim 6 Restrictions, if any, on the business None 7 Other provisions, if any See attached Schedu 8 Incorporators - Fondateurs Name(s) - Nom(s)	um of 10 ss the corporation may carry or le II Address	n Unites imposées à l' Autres dispositions,	activité comm	perciale de la société, s'il y a lieu Signature
Minimum of 1, maxim 6 Restrictions, if any, on the busines None 7 Other provisions, if any See attached Schedu 8 Incorporators - Fondateurs	um of 10 ss the corporation may carry or le II Address	n Unites imposées à l' Autres dispositions, as (including postal code) se (inclure le code posta)	'activité comm	perciale de la société, s'il y a lieu

SCHEDULE A TO ARTICLES OF INCORPORATION — SHARE RIGHTS

- The holders of Class A shares are entitled:
- (a) to vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) to receive the remaining property of the Corporation upon dissolution; and
- (c) subject to the rights and privileges attaching to the Class B shares, to receive dividends as and when declared by the board of directors of the Corporation.
- . The holders of Class B shares are entitled:
 - (a) in priority to the holders of Class A shares and from the funds declared for the payment of dividends, to receive a maximum annual, preferential and non-cumulative dividend based on the prime lending rate of the bank of the Corporation at the date of the dividend less one percent (1%) as applied to the amount added, in respect of these shares, to the stated capital account maintained for the Class B shares, the date and terms of payment of such dividends to be determined by the board of directors; and
 - (b) upon dissolution of the Corporation, to repayment of the amount paid for such share (plus any declared and unpaid dividends) in priority to the Class A shares, but not to participate any further in profits or assets of the Corporation.
 - The holders of Class B shares shall not be entitled to vote at meetings of the shareholders except as otherwise specifically provided for by the terms of the Canada Business Corporations Act.

SCHEDULE I TO ARTICLES OF INCORPORATION

The right to transfer shares of the Corporation shall be restricted in that no shareholder shall be entitled to transfer any share or shares of the Corporation without the approval of:

- (a) the directors of the Corporation expressed by resolution passed by the votes cast by a majority of the directors of the Corporation at a meeting of the board of directors or signed by all of the directors of the Corporation; OR
- (b) the shareholders of the Corporation expressed by resolution passed by the votes cast by a majority of the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution.

Restrictions on share transfer are normally limited to the consent of the directors and/or the shareholders. If you wish your company to be a private company (referred to in the CBCA as a "non-distributing corporation") and thus not have to comply with prospectus filings or other related procedures set out in the CBCA or provincial/territorial securities rules, it is necessary to include in your articles a restriction on the transfer of shares. Many companies also include "private company restrictions" similar to those in sample Schedule II on the next page for the purposes of provincial/territorial securities regulation.

The CBCA allows for a number of provisions that may be included in the articles of incorporation. You may also choose to include clauses to satisfy requirements of other legislation (such as the restriction on the number of shareholders and any distribution of shares to the public, which are aimed at excluding the company from regulation by securities laws) or institutions (the limits on borrowing powers specified below are often included to satisfy lending institutions). These provisions are optional, and the ones below provide sample wording used for the most commonly occurring features.

SCHEDULE II TO ARTICLES OF INCORPORATION

Other provisions:

- The number of shareholders in the Corporation, exclusive of employees and former employees who, while employed by the Corporation were, and following the termination of that employment, continue to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered holders of one or more shares being counted as one shareholder.
- Any invitation to the public to subscribe for securities of the Corporation is prohibited.
- If authorized by by-law which is duly made by the directors and confirmed by ordinary resolution of the shareholders, the directors of the Corporation may from time to time:
 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation; and
- (iii) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired to secure any debt obligation of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

The directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual general meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual general meeting of shareholders.

Appendix C

SAMPLE FORM 3 — NOTICE OF REGISTERED OFFICE OR NOTICE OF CHANGE OF REGISTERED OFFICE

Canada Business Loi	ustrie Canada canadienne sur les letés par actions		
NOTICE OF CHANGE OF	FORM 3 REGISTERED OFFICE OR ADDRESS OF REGISTERED OFFI RECTION 19)		FORMULE 3 VIS DE DÉSIGNATION OU MENT D'ADRESSE DU SIÈGE SOCIA (ARTICLE 19)
1 Name of the Corporation - Déno			(leave blank)
ABBA Consulting I			
 Province or territory in Canada visituated) (This province or territorine Articles) 	where the registered office is situated (or to be ory must be the same as the one listed in	La province ou le territori (il doit correspondre à la	o au Canada ou se situe (ou se situera) le siège soc province ou au territoire indique dans les statuts)
Name of the provi	nce or territory in Canada	a	
4 Street address of Registered Off	ice - Adresse civique du siège social		
123 Any Street			
Suite 555			
Anytown ON M2T 1P	9		
(and mailing address, if differen	t from that of registered office) (si l'adresse p	ostale différe de celle du siège	s social)
P.O. Box 555			
Anytown ON			
AVIS: L'adresse du siège soci	in addition to this form (see paragraph 173(1) b ial doit se situer dans les limites de la province i	o) of the Act) ou du territoire indiqué dans le	
CAUTION: Address of registered of its required, using Form 4. It addressed using esociatuts on deposant la fo	in addition to this form (see paragraph 173(1) b al doit se situer dans les limites de la province i rmule 4, en plus de la présente formule (voir l'a	o) of the Act) ou du territoire indiqué dans le	at litem 3; otherwise an amendment to the Articles s statuts à la rubrique 3. Sinon, il faut modifier le
CAUTION: Address of registered of its required, using Form 4. I ** AVIS : L** ** Addresse du siege soci statuts en déposant la fo	in addition to this form (see paragraph 173(1) b al doit se situer dans les limites de la province i rmule 4, en plus de la présente formule (voir l'a	o) of the Act) ou du territoire indiqué dans le	
CAUTION: Address of registered of is required, using form 4, 1. AVIS: L'adresse du suege soin statuts en déposant la for 5 Effective Date of Change - Date	in addition to this form (see paragraph 173(1) b al doit se situer dans les limites de la province i rmule 4, en plus de la présente formule (voir l'a	o) of the Act) ou du territoire indiqué dans le	
CAUTION: Address of registered of is required, using form 4, 1. AVIS: L'adresse du suege soin statuts en déposant la for 5 Effective Date of Change - Date	in addition to this form (see paragraph 173(1) b al doit se situer dans les limites de la province i rmule 4, en plus de la présente formule (voir l'a	o) of the Act) ou du territoire indiqué dans le	
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CAUTION: Address of registered of is required, using Form 4.1 AVIS: "addressed using Form 5.1 Statuts on deposant to for the form of the f	in addition to this form (see paragraph 173(1) b al doit se situer dans les limites de la province i rmule 4, en plus de la présente formule (voir l'a	o) of the Act) ou du territoire indiqué dans le	
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CAUTION: Address of registered of is required, using form 4.1 AVIS: l'addresse du singe soci statuts en déposant la fo stiffective Date of Change - Date In/a 6 Previous Address of Registered	in addition to this form (see pergygab 173(1) b all doils estitude dans les limites de la province- rmule 4, en plus de la presente formule (voir l'a de prise d'effet	o) of the Act) ou du territoire indiqué dans le	
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CAUTION: Address of registered of is required, using form 4.1 AVIS: l'addresse du singe soci statuts en déposant la fo stiffective Date of Change - Date In/a 6 Previous Address of Registered	in addition to this form (see pergygab 173(1) b all doils estitude dans les limites de la province- rmule 4, en plus de la presente formule (voir l'a de prise d'effet	o) of the Act) ou du territoire indiqué dans le	
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CAUTION: Address of registered on required, using form 4. AVIS: Indressed du siege sociative of the statute of deposition of the statute of t	in addition to this form (see pergygab 173(1) to all dots es titue dans les limites de la province; imule 4, on plus de la presente formule (voir l'a de prise d'effet. Office - A dresse precedente du siège social.	o) of the Act) ou du territoire indiqué dans le	s statuts à le rubrique 3 Sinon, il faut modifier le
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Appendix D

SAMPLE FORM 6 — NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS

Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97	Residential Address - A 555 Any Street Anytown ON M1A 5T6 123 Another Avenue Anytown ON N3E 9P7	dresse domiciliaire Ques Ress Y (ident Canadian YA, dent canadian OA.
Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97	Residential Address - A 555 Any Street Anytown ON M1A 5T6 123 Another Avenue Anytown ON N3E 9P7 as personnes survantes ont cesse d'être Residential /	strateurs de la présente société dresse domiciliaire Resi Resi y 6 y 6	es
Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97 Jan. 1/97	Residential Address - A 555 Any Street Anytown ON M1A 5T6 123 Another Avenue Anytown ON N3E 9P7 as personnes survantes ont cesse d'être Residential /	dresse domiciliaire Question de la presente societe administrateurs de la presente societe	es
Jan. 1/97 Jan. 1/97 Jan. 1/97 rs of this corporation - Le Effective Date ate d'entrée en vigueur n/a	555 Any Street Anytown ON M1A 5T6 123 Another Avenue Anytown ON N3E 9P7 as personnes survantes ont cesse d'être Residential /	y (y (es
Jan. 1/97 Its of this corporation - Le Effective Date ate d'entrée en vigueur n/a	Anytown ON M1A 5T6 123 Another Avenue Anytown ON N3E 9P7 ss personnes survantes ont cosse d'être Residential A	y (administrateurs de la presente sociate	es
rs of this corporation - Le Effective Date ate d'entrée en vigueur n/a	Anytown ON N3E 9P7 ss personnes survantes ont cessé d'être Residential /	administrateurs de la prevente sociéte	
Effective Date ate d'entrée en vigueur	Residential		
n/a		ddress - Adresse domiciliaire	
	présente société sont maintenant		
Les administrateurs de la	présente société sont maintenant		
			ident Canadian Y/N
	Residential Address - Adresse domicil	laire Res	dent canadien O/N
555 Any Stree	et, Anytown ON M1A 5T	5 ye	es
123 Another /	Avenue, Anytown ON N3	E 9P7 ye	es
hangement d adresse d'u	ın administrateur actuel		
Effective Date ate d'entrée en vigueur	Former Residential Address Adresse domiciliaire précedenti	New Residential A Nouvelle adresse rés	
Feb. 1/02	555 Any Street Anytown ON M1A 5T6	777 New Street Anytown ON M1A	
001.10		7 Capacity of - En qualité de	
nataro		director or incorpo authorized agent or	
nted Name - Nom en lettre	s moulees	Ca	naďä
	ico Name - Nom en lettro Jane Smith	nature icd Name - Nom en lettres moulees	rature 7 capacity of . En qualité de director or incorpo authorized agent of ted Name . Nom en lettres moulees

Appendix E

SAMPLE ORGANIZATIONAL RESOLUTIONS

RESOLUTIONS OF THE DIRECTOR(S) OF ABBA CONSULTING INC.

The undersigned, being the director(s) of ABBA CONSULTING INC., hereby sign(s) the following resolutions:

DESIGNATION OF OFFICES

RESOLVED that the Corporation shall have (i.e. a Chair of the Board, a President, one or more Vice Presidents, a Secretary and/or a Treasurer) and may have one or more assistant to those and to any other office hereafter designated by the board of directors.

The above resolution should specifically designate only those offices that are intended to be used

DUTIES AND POWERS OF OFFICERS

RESOLVED that the officers of the Corporation shall exercise the following duties and powers:

- 1. The Chair of the Board shall, when present, preside at all meetings of the board of directors.
- 2. The President shall, when present, preside at all meetings of the board of directors in the absence of the Chair of the Board and at all meetings of shareholders and shall be responsible for the management of the business and affairs of the Corporation.
- 3. The Vice President, or, if more than one, the Vice Presidents, shall assist the President in the performance of the President's duties and, i order of seniority as determined by the board of directors, may perform the duties and exercise the powers of the President during the absence of inability to act of the President. If a Vice President performs any such duty or exercises any such power, the absence or inability of the President shall be presumed with respect thereto.
- 4. The Secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees of the board of directors. The Secretary shall attend meeting of the board of directors and of the shareholders and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings. The Secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation, if any.

- 5. The Treasurer shall keep or cause to be kept full and accurate books of account in which shall be recorded all receipts and disbursements of the Corporation and, under the direction of the board of directors, shall control the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The Treasurer shall render an account of the financial position of the Corporation to the board of directors at each meeting of the board of directors, or whenever otherwise required by the board of directors.
- 6. Officers shall, in addition to those prescribed by this resolution, perform such duties and exercise such powers of management of the business and affairs of the Corporation as may from time to time be prescribed by the board of directors. An assistant to any officer shall assist such officer in the performance of such officer's duties and may perform the duties and exercise the powers of such officer during the absence or inability to act of such officer. If an assistant performs any such duty or exercises any such power, the absence or inability to act of such officer shall be presumed with respect thereto.

The above resolution should deal only with those offices that have been designated. If some offices are designated at a later time, the duties and powers of those positions should be set out at that time

APPOINTMENT OF OFFICERS

RESOLVED that:

(name) is appointed Chairman of the Board of the Corporation.
(name) is appointed President of the Corporation.
(name) is appointed a Vice President of the Corporation.
(name) is appointed Secretary of the Corporation.
(name) is appointed Treasurer of the Corporation.

EXECUTION OF DOCUMENTS

RESOLVED that deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by <u>(any director or officer/any two directors or officers)</u> of the Corporation. In addition, the directors may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

(name of class of shares) SHARE CERTIFICATES

RESOLVED that the form of certificate annexed hereto is approved and adopted as the form of certificate for the $\underline{\text{(name of class)}}$ shares in the capital of the Corporation.

BANKING RESOLUTION

RESOLVED that the banking resolution, in the form required by the ___(name of bank)___, a copy of which is annexed hereto as Schedule B, is hereby approved.

Insert the appropriate form of banking resolution, which is provided by your bank, here.

FINANCIAL YEAR-END

RESOLVED that the financial year of the Corporation shall end on $\underline{(d/m)}$ in each year.

APPOINTMENT OF AUDITORS

RESOLVED that ___(name)__ , Chartered Accountants, are appointed auditors of the Corporation to hold office until the first annual general meeting of shareholders at such remuneration as may be fixed by the directors.

If you decide to dispense with the audit requirement (which requires the agreement of all shareholders), delete the paragraph above and include the paragraph approving an accountant found in the sample Organizational Resolutions of the Shareholder(s) below.

CORPORATE SEAL

RESOLVED that the corporate seal of the Corporation is in the form impressed hereon.

There is no requirement for a corporation to have a corporate seal. If you decide not to have one, you should omit this resolution.

DATED (d/m/y)

(signature)

Shareholder

SUBSCRIPTION FOR ONE COMMON SHARE

TO: ABBA Consulting Inc.

The undersigned hereby subscribes for one common share in the capital of the Corporation and tenders herewith the sum of \$1.00 in full payment of the subscription price for such share.

The undersigned hereby requests that the said share be allotted to the undersigned, that such share be issued as fully paid and non-assessable and that a certificate representing such share be issued in the name of the undersigned.

DATED (d/m/y)

(signature)

Shareholder

RESOLUTION OF THE DIRECTOR OF ABBA CONSULTING INC.

The undersigned, being the sole director of ABBA Consulting Inc., hereby signs the following resolution:

ALLOTMENT AND ISSUANCE OF SHARES TO (name)

RESOLVED that:

- 1. The subscription of $\underline{\text{(name)}}$ for one common share in the capital of the Corporation, which subscription is annexed hereto, is accepted.
- 2. The consideration for the allotment and issue of the said common share subscribed for as aforesaid is fixed at \$1.00.
- One common share in the capital of the Corporation is allotted to (name)

DATED ___(d/m/y)___

(signature)

Director

ORGANIZATIONAL RESOLUTIONS OF THE SHAREHOLDER(S) OF ABBA CONSULTING INC.

ELECTION OF DIRECTOR(S)

RESOLVED that the following	person(s) are	hereby elected	directors o	f the
Corporation for the ensuing	year or until	their successo	rs have beer	duly
elected:				

elected:	
(name)	
(name)	

APPOINTMENT OF ACCOUNTANTS

RESOLVED that:

1. Pursuant to the Canada Business Corporations Act, an auditor of the Corporation shall not be appointed; and

2. <u>(names)</u> are hereby appointed accountants of the Corporation to hold office until the first annual general meeting of the shareholders or until their successors have been duly appointed at such remuneration as may be fixed by the directors, the directors being hereby authorized to fix such remuneration.

The undersigned, being all the shareholders of the Corporation, hereby consent, by their signatures, to the foregoing resolutions pursuant to the provisions of the Canada Business Corporations Act.

DATED ___(d/m/y)___

(signature)

Shareholder

Appendix F

SAMPLE BY-LAW

BY-LAW NO. 1

A by-law relating generally to the transaction of the business and affairs of ABBA Consulting Inc. (hereinafter referred to as the "Corporation")

DIRECTORS

- 1. Calling of and notice of meetings: Meetings of the board shall be held at such place and time and on such day as the President, Vice President or Secretary or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board is elected.
- 2. Votes to govern: At all meetings of the board, every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chair of the meeting <code>(shall/shall.not[choose one])</code> be entitled to a second or casting vote.
- 3. Interest of directors and officers generally in contracts: No director or officer shall be disqualified by his/her office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established, provided that the director or officer shall have complied with the provisions of the Canada Business Corporations Act.

SHAREHOLDERS' MEETINGS

4. Location and quorum: Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is located or, if the Board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada. At any meeting of shareholders, a quorum shall be (any number you decide) persons present in person and each entitled to vote thereat [and holding or representing by proxy not less than (any number you decide) percent of the votes entitled to be cast thereat].

INDEMNIFICATION

- . Indemnification of directors and officers: The Corporation shall ndemnify a director or officer of the Corporation, a former director or fficer of the Corporation or a person who acts or acted at the orporation's request as a director or officer of a body corporate of hich the Corporation is or was a shareholder or creditor, and his/hereirs and legal representatives to the extent permitted by the Canada usiness Corporations Act.
- . Indemnity of others: Except as otherwise required by the Canada usiness Corporations Act and subject to paragraph 5, the Corporation may rom time to time indemnify and save harmless any person who was or is a arty or is threatened to be made a party to any threatened, pending or ompleted activity, suit or proceeding, whether civil, criminal, dministrative or investigative (other than an activity by or in the ight of the Corporation) by reason of the fact that he or she is or was n employee or agent of the Corporation, or is or was serving at the equest of the Corporation as a director, officer, employee, agent of or articipant in another body corporate, partnership, joint venture, trust r other enterprise, against expenses (including legal fees), judgments, ines and any amount actually and reasonably incurred by him/her in onnection with such activity, suit or proceeding if he/she acted onestly and in good faith with a view to the best interests of the orporation and, with respect to any criminal or administrative activity proceeding that is enforced by a monetary penalty, had reasonable rounds for believing that his/her conduct was lawful. The termination f any activity, suit or proceeding by judgment, order, settlement or onviction shall not, of itself, create a presumption that the person id not act honestly and in good faith with a view to the best interests f the Corporation and, with respect to any criminal or administrative ctivity or proceeding that is enforced by a monetary penalty, had no easonable grounds for believing that his/her conduct was lawful.
- Right of indemnity not exclusive: The provisions for indemnification ontained in the by-laws of the Corporation shall not be deemed exclusive any other rights to which any person seeking indemnification may be ntitled under any agreement, vote of shareholders or directors or therwise, both as to activity in his/her official capacity and as to tivity in another capacity, and shall continue as to a person who has eased to be a director, officer, employee or agent and shall inure to be benefit of the heirs and legal representatives of such a person.

8. No liability of directors or officers for certain matters: To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf o the Corporation or for the insufficiency or deficiency of any security or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever that may happen in the execution of the duties of his/her respective office or trust or in relation thereto unless the same shall happen by or through his/her failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate that is employed by or performs services for the Corporation, the fact of his/her being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

BANKING ARRANGEMENTS, CONTRACTS, ETC.

- 9. Banking arrangements: The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.
- 10. Execution of instruments: Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any (any number you decide) officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specifi contracts, documents or instruments in writing. The term "contracts, doc uments or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers an assignments of property of all kinds (including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities), proxies for shares and other securities and all paper writings.

MISCELLANEOUS

- I. Invalidity of any provisions of this by-law: The invalidity or nenforceability of any provision of this by-law shall not affect the alidity or enforceability of the remaining provisions of this by-law.
- 2. Omissions and errors: The accidental omission to give any notice to my shareholder, director, officer or auditor or the non-receipt of any otice by any shareholder, director, officer or auditor or any error in many notice not affecting the substance thereof shall not invalidate any otivity taken at any meeting held pursuant to such notice or otherwise bunded thereon.

INTERPRETATION

B. Interpretation: In this by-law and all other by-laws of the prporation, words importing the singular number only shall include the lural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include in individual, partnership, association, body corporate, executor, diministrator or legal representative and any number or aggregate of ersons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and orticles of revival; "board" shall mean the board of directors of the proporation; "Canada Business Corporations Act" shall mean Canada usiness Corporations Act, R.S.C. 1985, c. C-44 as amended from time to me or any Act that may hereafter be substituted therefor; and "meeting shareholders" shall mean and include an annual general meeting of marcholders and a special meeting of shareholders.

The next clause should be included only if previous by-laws are being replaced.

14. Repeal: By-Laws No. __(number) of the Corporation are repealed as of the coming into force of this by-law, provided that such repeal shall me affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Canada Business Corporations Act until their successors are appointed.

DATED ___(d/m/y)

(signature)

President

(signature)

Secretary

RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS OF ABBA CONSULTING INC.

ADDA OUNSUL	THO THO.
SOLVED that the foregoing By-Law No. rporation.	1 is made a by-law of the
e undersigned, being all the directo e foregoing resolution.	rs of <u>(corporation)</u> , hereby sig
TED <u>(d/m/y)</u>	
	(signature)
	Director
	(signature)
	Director
	(signature)
	Director
SOLVED that the foregoing By-Law No. rporation is hereby confirmed.	1 of the by-laws of the
e undersigned, being all the shareho gn the foregoing resolution.	lders of <u>(corporation)</u> , hereby
TED <u>(d/m/y)</u>	
	(signature)
	Shareholder
	(signature)
	Shareholder
	(signature)
	Shareholder

Appendix G

SAMPLE NOTICE OF ANNUAL GENERAL MEETING AND MINUTES OF AN ANNUAL GENERAL MEETING

The Notice and Minutes below provide suggested wording and format that you can adapt to you business at its first shareholders' annual general meeting for the election of directors and the appointment of officer(s), auditor(s) and accountant(s). Alternatively, you can proceed by way of written resolution instead. as shown in Appendix E.

NOTICE OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.

NOTICE IS HEREBY GIVEN that the annual general meeting of the holders of $\underline{\text{(name of class of shares)}}$ Shares of ABBA Consulting Inc. (the "Corporation") will be held at $\underline{\text{(address)}}$ on $\underline{\text{(d/m/y)}}$ at the hour of $\underline{\text{(time)}}$ in the forenoon, for the purpose of:

- (1) receiving and considering the annual report and financial statements for the year ended $\underline{(d/m)}$ and the report of the auditors thereon;
- (2) electing directors:
- (3) appointing auditors; and
- (4) transacting such further and other business as may properly come before the meeting or any adjournment thereof.

Dated this (d) day of (m) 19 (y).

ON BEHALF OF THE BOARD OF DIRECTO (signature)
Secretary

MINUTES OF ANNUAL GENERAL MEETING ABBA CONSULTING INC.
nutes of the annual general meeting of the shareholders of ABBA nsulting Inc. held at <u>(address)</u> on <u>(d/m/y)</u> at the hour <u>(time)</u> in the forenoon <u>(localtime)</u> .
Present in Person
(name)
Represented by Proxy
ing all of the shareholders of the Corporation.
Chair and Secretary e President,, assumed the Chair and
e Secretary, (name), acted as Secretary of the meeting.
Constitution of Meeting
of the shareholders of the Corporation being present in person or presented by proxy and all the shareholders, directors and auditors of Corporation having been sent notice of the meeting in the manner quired by law, the Chair declared the meeting properly constituted for transaction of business.
Financial Statements
e Chair presented to the meeting the balance sheet of the Corporation at(d/m/y), and the other financial statements of the reporation for the financial year ended on such date. At the request the Chair, the Secretary of the meeting then read to the meeting the ditor's report. Following the reading of the auditor's report, the air invited questions and comments from the floor and, there being ne, the Chair proceeded to the next item of business.
Election of Directors
e Chair stated that it was now in order to proceed with the election directors. On motion duly made, seconded and unanimously carried, the llowing resolution was passed:
SOLVED: (names of directors)
e hereby elected directors of the Corporation to hold office for ensuing year or until their successors are elected or appointed, ichever occurs first.

6. Election of Directors

T	he (Chair	stated	that	it w	as now	in	order	to	proceed	d with	the	elec	tion
C	of d	irecto	ors and	decla	ared	the me	etin	g oper	fo	r nomir	nations	. Th	e fo	llow.
V	vere	nomir	nated a	s dire	ector:	s of th	ne C	orpora	tio	n for t	he ens	uing	year	or
ι	until	1 the	ir succ	essors	are	electe	ed o	r appo	int	ed, whi	chever	occ	urs 1	irst

(name)	
(name)	
(name)	

There being no further or other nominations, the Chair declared the nominations closed and directed the Secretary of the meeting to cast a single ballot for the election of the foregoing persons as directors of the Corporation for the ensuing year or until their successors are elected or appointed, whichever occurs first. Such ballot having been cast, the Chair declared the foregoing persons to have been elected directors of the Corporation for the ensuing year or until their successors are elected or appointed.

7. Appointment of Auditors

On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED:	(names)	

Chartered Accountants, are hereby appointed the auditors of the Corporation to hold office until the close of the next annual general meeting of the shareholders or until a successor is appointed, at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

O.F

7. Appointment of Accountants

The Chair stated that the Corporation meets the conditions referred to section 163 of the *Canada Business Corporations Act* (the "Act") and tha all the shareholders of the Corporation have consented in writing that the Corporation be exempt from the requirements of section 160 of the Act. On motion duly made, seconded and unanimously carried, the following resolution was passed:

RESOLVED: <u>(names)</u> are hereby appointed the accountants of the Corporation to hold office until the close of the next annual general meeting of shareholders at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

Confirmation of Proceedings

motion duly made, seconded and unanimously carried, the following solution was passed:

Termination

ere being no further business, on motion duly made, seconded and animously carried, the meeting was terminated.

(signature)

President

(signature)

Secretary

Appendix H

SAMPLE FORM 22 — ANNUAL RETURN

Canada Business Corporations Act	industrie Canada Loi canadienne sur les sociétés par actions	FORM 22 ANNUAL RETURN (section 263)	RAPPORT (article	263)
				Filing for Year - Depôt por
	se Side - Voir les instructions au verse	ociale de la société et adresse du siège so	cial	2 Corporation No - N°
ABBA Consultin		501010 00 10 5001010 01 0010500 00 010go 00		999999-1
				3 Business No. Nº d'e
	, Suite 555, Anytown			000000000RC0
P.O. Box 555	erent from that of registered office) (amisiq	ue - adresse postale si elle diffère de celle du	siège social)	4 Taxator Year End Fin de Lannée d'imposition]
Anytown ON M2T	1P9			
5 Main Types of Business - Consulting	Catégories principales d'activité commerc	ia le		-
6 Has there been a change of Est-ce qu'n y a eu un chai	of director(s)? agement d administrateur(s) ?	7 Has there been a change Est-ce qu'il y a eu un cha	of registered off ingement du sieç	fice? ge social?
Yes Oui	X No Non	Yes Out		X No Nan
	- Si cui, la formule 6 a-t-elle été :	If yes, has Form 3 been-	- Si oui, ia form	rule 3 a-t-elle été :
Filed - Déposée	Attached - Annexée	Filed - Deposée	Attache	ed - Annexee
8 Date of Last Annua, Meet	and .	9 Is the Corporation a distri	buting corporati	an or Yes
Date de la dernière assem	biée annuelie	a reporting issue? La société est-elle une so au public ou un émetteur as	ciété ayant fait a	apper Yes Our
Date de la dernière assem	on have more than 50 shareholders?	La societé est-elle une so au public ou un émetteur as	,50,011	appei Dui
Date de la dernière assem 10 If yes, does the corporat Si oui, la societe a Lelle 11 Does the Corporation hai	biée annuelle on have more than 50 shareholders? 50 actionnaires ou plus? ve in piace a unanimous shareholder agre		on .	estricts
Date de la dernière assem 10 If yes, does the corporat Si ous, la societe a Leile 11 Does the Corporation has the powers of the director	biée annuelle on have more than 50 shareholders? 50 actionnaires ou plus ? 7e in piace a unanimous shareholder agre 57 une convention unanime des actionnair	Yes - Out X No No	on the Act that re	appei Oui
Date de la dernière assem 10 If yes, does the corporat Si out, le societé e l'elle 11 Does the Corporation ha the powers of the director La societé dispose-t-elle pouvoirs des administres. 12 jurisdictions in which th	on have more than 50 shareholders? -0 actionnaires ou plus?	Yes - Out X No.	the Act that re the restreaties	istricts Yes Out
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Contacts

ORPORATIONS CANADA

ne following free information kits and documents are available from Corporations Canada:

Canada Business Corporations Act Incorporation Kit

Amalgamation Kit

Amendment Kit

Continuance (Import) Kit

Continuance (Export) Kit

Dissolution Kit

Exemptions Kit

Name Granting Guidelines (see also the brochure Choosing a Name)

Name Policy Compendium

obtain the above kits or documents, write to or call:

Publication and Information Unit

Corporations Canada — Industry Canada

9th Floor, Jean Edmonds Towers South

365 Laurier Avenue West

Ottawa ON K1A 0C8

Tel.: (613) 941-9042

Fax: (613) 941-0601

ese documents are also available on the Internet at the following address:

http://strategis.gc.ca/corporations

r information on other materials available regarding incorporation under the CBCA, including es, please call Corporations Canada General Enquiries at:

Tel.: (613) 941-9042 (Ottawa region)

Toll-free: 1-866-333-5556

contact one of our regional offices:

· British Columbia (Vancouver)

Tel.: (604) 666-9875

· Quebec (Montréal)

Tel.: (514) 496-1797

Ontario (Toronto)

Tel.: (416) 954-2714

OTHER FEDERAL GOVERNMENT RESOURCES OF INTEREST TO SMALL BUSINESSES

Aboriginal Business Canada (ABC)

Aboriginal Business Canada targets small businesses in particular and is increasing its emphasisment on supporting proposals that involve the expansion of domestic and export markets, Aborig tourism, technology adoption and enhancement, and youth entrepreneurship. Both finan and non-financial assistance are available

Tel.: (613) 954-4064

Web site: http://strategis.gc.ca/abc

Business Development Bank of Canada (BDC)

The Business Development Bank of Canada's network of 84 branch offices across Canpromotes the creation and development of small businesses through specialized financing commercially viable enterprises. The BDC has also initiated a number of business counsell training and mentoring services to meet the needs of small business at each stage of y business's development.

Toll-free: 1-888-INFO-BDC (1-888-463-6232)

Canada Business Service Centres (CBSCs)

Canada Business Service Centres have been established in each province and territory to prov small businesses with a single access point for quick, accurate and comprehensive information on federal, provincial/territorial and municipal government programs services and regulation Information officers can either provide you with the required information or direct you to the b source.

Alberta	Tel.: (780) 422-7722	Toll-free: 1-800-272-9675
British Columbia	Tel.: (604) 775-5525	Toll-free: 1-800-667-2272
Manitoba	Tel.: (204) 984-2272	Toll-free: 1-800-665-2019
New Brunswick	Tel.: (506) 444-6140	Toll-free: 1-800-668-1010
Newfoundland	Tel.: (709) 772-6022	Toll-free: 1-800-668-1010
Northwest Territories	Tel.: (867) 873-7958	Toll-free: 1-800-661-0599
Nova Scotia	Tel.: (902) 426-8604	Toll-free: 1-800-668-1010
Nunavut	Tel.: (867) 979-6813	Toll-free: 1-877-499-5199
Ontario	Tel.: (416) 954-INFO (4636)	Toll-free: 1-800-567-2345
Prince Edward Island	Tel.: (902) 368-0771	Toll-free: 1-800-668-1010
Quebec	Tel.: (514) 496-INFO (4636)	Toll-free: 1-800-322-INFO (4636)
Saskatchewan	Tel.: (306) 956-2323	Toll-free: 1-800-667-4374
Yukon Territory	Tel.: (867) 633-6257	Toll-free: 1-800-661-0543

Web site: http://www.cbsc.org

mmunity Futures Development Corporations (CFDCs)

mmunity Futures Development Corporation services can provide you with:

- counselling and advisory services to help with the establishment, expansion, competitiveness and stabilization of your business
- financial assistance in the form of loans, loan guarantees or equity investments to help you
 in the creation or maintenance of long-term employment in your community.

Tel.: (403) 495-4164

Toll-free: 1-888-338-9378

Web site: http://www.communityfutures.ca

aional Development Agencies

e federal government has set up four regional development agencies to address the regional eds of small businesses. The agencies complement the work of the government's financial institions and do the kind of local level economic development, mentoring and program distribution ark for which private sector financial institutions are not equipped.

ch agency works with other federal departments, with provincial/territorial and municipal goviments, and with the private sector to provide you with access to capital, markets, information diskills development. The agencies also provide assistance with the development of innovations distributions disconnected that the development of innovations disconnected and, in some cases, with tourism.

Atlantic Canada Opportunities Agency (ACOA)

Tel.: (506) 851-2271

Toll-free: 1-800-561-7862

Web site: http://www.acoa.ca

Canada Economic Development for Quebec Regions

Tel.: (514) 283-6412

Web site: http://www.dec-ced.gc.ca

Federal Economic Development Initiative in Northern Ontario (FedNor)

Tel.: (705) 671-0711

Toll-free: 1-800-461-4079

Web site: http://fednor.ic.gc.ca

Western Economic Diversification Canada (WD)

Tel.: (780) 495-4164

Toll-free: 1-888-338-9378

Web site: http://wd.gc.ca

Small Business Loans Administration

The Small Business Loans Administration is designed to help new and existing small business with annual gross revenues not exceeding \$5 million (excluding farming and charitable or religio enterprises) to obtain term loans from chartered banks and other lenders in order to finance to purchase and improvement of fixed assets. The Administration also provides for the sharing loan losses, if any, between the lenders and the federal government. The loans are made directly approved lenders to small businesses.

Tel.: (613) 954-5540 Fax: (613) 952-0290

Web site: http://strategis.gc.ca/csbfa

Strategis

Strategis is Canada's business and consumer site. It can provide you with easy, direct access Industry Canada's extensive expertise and information resources. The information on Strate, will help you make critical decisions about opportunities for growth, explore new markets, find partners, form alliances, find and develop new technologies or processes, or assess the risks new ventures.

Web site: http://strategis.gc.ca

Women's Enterprise Initiative (WEI)

Women's Enterprise Centres have been established in Alberta, British Columbia, Manitoba a Saskatchewan with funding from Western Economic Diversification Canada to provide lo financing and support to women entrepreneurs.

Tel.: (780) 495-4164

Toll-free: 1-888-338-9378

WALL BUSINESS TAX REQUIREMENTS AND SERVICES

siness Number and Integrated Services

e Business Number (BN), which has been mandatory since January 1, 1997, is a new number stem that replaces the multiple numbers you formerly used to deal with the federal government. gives you a unique identifier that remains unchanged, no matter how many or what types of counts you have. To register a new business, or for more information on the other services low, call:

Toll-free: 1-800-959-5525

oods and Services Tax (GST)

- e Canada Customs and Revenue Agency (CCRA) has implemented a number of initiatives to nplify your payment of the GST:
- GST Electronic Filing and Remitting Program
 The CCRA has implemented a new electronic option to file your GST return and to remit payments using Electronic Data Interchange technology.
 Tel.: (613) 952-8746

Web site: http://www.ccra-adrc.gc.ca/eservices/gsthst-edi/index-e.html

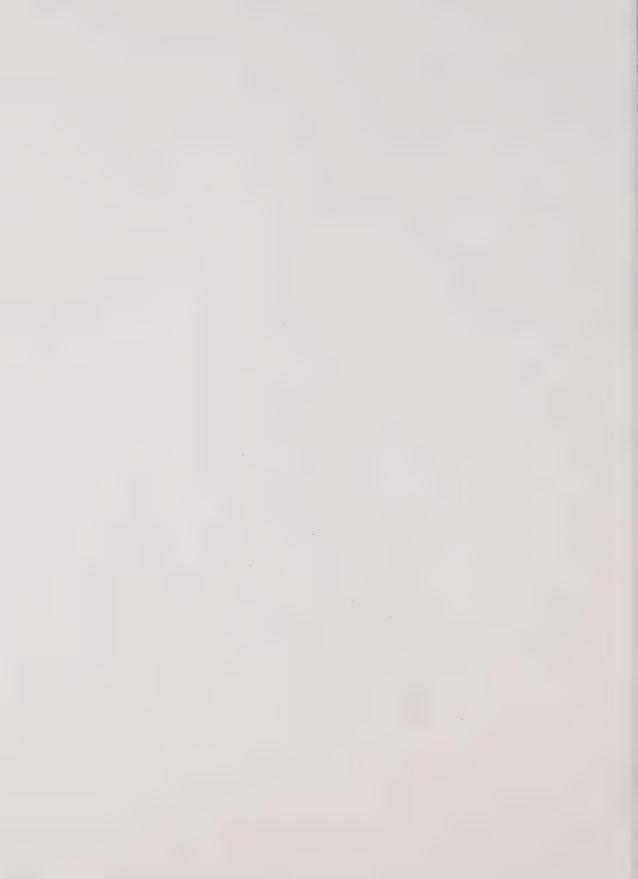
GST Simplified Accounting Method — Quick Method
 This is a simplified accounting option to help small businesses calculate the GST they owe, without having to track the GST they pay or to claim GST input tax credits. Businesses with worldwide annual taxable sales (including zero-rated sales) of \$200 000 or less, including GST and annual taxable sales of all associated businesses, can use this method, with some exceptions.

cientific Research and Experimental Development (SR&ED) Investment Tax Credit

n investment tax credit is available for small businesses engaged in scientific research and perimental development. If you have never filed a claim for the SR&ED investment tax credit, a CCRA has a service to help you. The service also makes you aware of the incentives to file, aluding the new 18-month filing deadline.

implified Returns and Claims

corporated businesses are required to submit a T2 corporate tax return. If your business has oss revenues of \$500 000 or less and no taxable income, you can submit a T2 Short return. This 'o-page return reduces the time it takes to complete the form.



Industry Canada

Industrie Canada

Canada Business Loi canadienne sur les sociétés par actions

FORM 1 ARTICLES OF INCORPORATION (SECTION 6)

FORMULE 1 STATUTS CONSTITUTIFS (ARTICLE 6)

ame of the Corporation				
ame of the Corporation		Dénomination sociale de la société		
ne province or territory in Canada whe	ere the registered office is	La province ou le territoire au Canada	où est situé le siège social	
uateu				
The classes and any maximum number of shares that the corporation is authorized to issue		Catégories et le nombre maximal d'actions que la société est autorisée à émettre		
strictions, if any, on share transfers		Restrictions sur le transfert des actions, s'il y a lieu		
mber (or minimum and maximum nur	nber) of directors	Nombre (ou nombre minimal et maxim	al) d'administrateurs	
strictions, if any, on the business the	corporation may carry on	Limites imposées à l'activité commerc	iale de la société s'il y a lieu	
			and de la Societa, o ii y a nea	
her provisions, if any		Autres dispositions, s'il y a lieu	and de la societa, s ii y a nea	
her provisions, if any		Autres dispositions, s'il y a lieu	and de la societa, s ii y a lied	
	Address (in Adresse (in	Autres dispositions, s'il y a lieu cluding postal code) clure le code postal)	Signature	
corporators - Fondateurs Name(s) - Nom(s)	Address (in Adresse (in	cluding postal code)		
corporators - Fondateurs	Adresse (in	cluding postal code) clure le code postal)		

Articles of Incorporation FORM 1 INSTRUCTIONS

If you require more information in order to complete Form 1, you may wish to consult the Incorporation Kit and the Name Granting Compendium or the

to consult the incorporation kit and the Name Granting Compendium of the Name Granting Guidelines.

An electronic Form 1 can be filed and payment made on-line at the Corporations Directorate Electronic Filing Centre http://strategis.gc.ca/corporations or you can send it to the mailing address

Item 1
Set out the proposed corporate name that complies with sections 10 and 12 of the Act. Articles of incorporation must be accompanied by a Canada-biased NUANS search report dated not more than ninety (90) days prior to the receipt of the articles by the Director. On request, a number name may be assigned under subsection 11(2) of the Act, without a search

Set out the name of the province or territory within Canada where the registered office is to be situated.

Set out the details required by paragraph 6(1)(c) of the Act, including Det out the details required by paragraph 6(1)(c) of the Act, including details of the rights, privileges, restrictions and conditions attached to each class of shares. All shares must be without nominal or par value and must comply with the provisions of Part V of the Act.

If restrictions are to be placed on the right to transfer shares of the corporation, set out a statement to this effect and the nature of such

State the number of directors. If cumulative voting is permitted, the number of directors must be invariable; otherwise it is mandatory to specify a minimum and maximum number of directors.

If restrictions are to be placed on the business the corporation may carry out, set out the restrictions.

Set out any provisions, permitted by the Act or Regulations to be set out in the by-laws of the corporation, that are to form part of the articles, including any pre-emptive rights or cumulative voting provisions.

Item 8

Each incorporator must state his or her name and residential address, and affix his or her signature. If an incorporator is a body corporate, that name shall be the name of the body corporate, the address shall be that of its registered office, and the articles shall be signed by a person authorized by the corporation

Other Documents

Other Documents
The articles must be accompanied by a Notice of Registered Office or Notice of Change of Registered Office (Form 3), and a Notice of Directors, Notice of Change of Directors or Notice of Change of Address of a Present Director (Form 6). Note that a Form 6 must be sent to the Director within fifteen (15) days of any change of the directors or of receiving a notice of change of address of a director in accordance with subsection 113(1) of

If a proposed corporation is to engage in a) the construction or operation of a pipeline for the transmission of oil or gas as defined in the National Energy Board Act, or b) the construction or operation of a commodity pipeline as defined in the Canada Transportation Act, the Misister of the Department of the Canada Transportation Act.

the incorporator shall inform the Minister of the Department or Agency that regulates such business.

The information you provide in this document is collected under the authority of the Canada Business Corporations Act and will be stored in personal information bank number CCA/P-PU-093. Personal information that you provide is protected under the provisions of the *Privacy Act*. However, public disclosure pursuant to section 266 of the *Canada Business Corporations Act* is permitted under the *Privacy Act*.

The completed documents and fees payable to the Receiver General for Canada are to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

Statuts constitutifs **FORMULE 1** INSTRUCTIONS

Généralités

Generalites
SI vous désirez obtenir de plus amples informations afin de complét
formule 1, veuillez consulter le Recueil d'information sur la constitu
l'Enonce d'octroi des dénominations ou les Lignes directrices pour l'octro
dénominations.

Denominaturis. La version électronique de la formule 1 peut être déposée auprès du direr et le paiement effectué par l'entremise du Centre de dépôt électronique « Direction générale des corporations http://strategis.gc.ca/corporations vous pouvez envoyer le document à l'adresse indiquée au bas de cette pa

Rubrique 1
Indiquer une dénomination sociale qui satisfait aux exigences des article et 12 de la Loi. Les statuts constitutifs doivent être accompagnés rapport de recherche NUANS couvrant le Canada, dont la date remon quatre-vingt-dix (90) jours ou moins avant la date de réception des statuts le directeur. Si un numéro matricule est demandé en guise de dénomins part être accumé sans recherche préalable, en vertu du paragrif. sociale, il peut être assigné, sans recherche préalable, en vertu du paragra 11(2) de la Loi.

Rubrique 2

Indiquer le nom de la province ou du territoire au Canada où le siège social

Rubrique 3 Indiquer les détails requis par l'alinéa 6(1)c) de la Loi, y compris les dé des droits, privilèges: restrictions et conditions attachés à chaque caté d'actions. Toutes les actions doivent être sans valeur nominale ni sans va au pair et doivent être conformes aux dispositions de la partie V de la Loi.

Rubrique 4 Si le droit de transfert des actions de la société doit être restreint, inclure déclaration à cet effet et indiquer la nature de ces restrictions.

Rubrique 5

Indiquer le nombre d'administrateurs. Si un vote cumulatif est prévu, nombre doit être fixe; autrement, il est obligatoire de spécifier un non minimal et maximal d'administrateurs.

Si des limites doivent être imposées à l'activité commerciale de la société.

Rubrique 7

Indiquer les dispositions que la Loi ou le règlement permet d'énoncer dans règlements administratifs de la société et qui doivent faire partie des stat y compris les dispositions relatives au vote cumulatif ou aux droits

Rubrique 8

Chaque fondateur doit donner son nom, son adresse domiciliaire et appo sa signature. Si un fondateur est une personne morale, le nom doit être c el a personne morale, l'adresse doit être celle de son siège social et statuts doivent être signés par une personne autorisée par la société.

Autre documents

Les statuts doivent être accompagnés d'un Avis de désignation du s social ou Avis de changement du siège social (formule 3) et d'une liste administrateurs, Avis de changement des administrateurs ou Avis changement d'adresse d'un administrateur actuel (formule 6). Une formu doit être envoyée au directeur dans les quinze (15) jours suivant soi réception de l'avis de changement d'adresse d'un administrateur soit changement dans la composition du conseil d'administration conformén au paragraphe 113(1) de la Loi.

Autres avis Si la société projetée doit effectuer :
a) la construction ou l'exploitation d'un pipeline pour le transport du pét ou du gaz tel que défini par la Loi sur l'Office national de l'énergie ou b) la construction ou l'exploitation d'un productoduc tel que défini par la sur les transports au Canada, les fondateurs doivent informer le ministre responsable du ministère ou

l'agence qui réglemente ces entreprises.

Les renseignements que vous fournissez dans ce document sont recueillis Les renseignements que vous fournissez dans ce document sont recueillivertu de la Loi canadienne sur les sociétés par actions, et se emmagasinés dans le fichier de renseignements personnels MCC/P-PU-Les renseignements personnels que vous fournissez sont protégés par dispositions de la Loi sur la protection des renseignements personnels cependant, la divulgation au public selon les termes de l'article 266 de la canadienne sur les sociétés par actions est permise en vertu de la Loi su protection des renseignements personnels.

Les documents complétés et les droits payables au receveur général Canada doivent être envoyés au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean Edmonds, sud 9ième étage 365, av. Laurier ouest Ottawa (Ontario) K1A OC8

Industry Canada Industrie Canada

Canada Business
Corporations Act

Loi canadienne sur les sociétés par actions

FORM 3 NOTICE OF REGISTERED OFFICE OR ICE OF CHANGE OF ADDRESS OF REGISTERED OFFICE (SECTION 19)

FORMULE 3 AVIS DE DÉSIGNATION OU DE CHANGEMENT D'ADRESSE DU SIÈGE SOCIAL (ARTICLE 19)

ne of the Corporation - Dénom	nation sociale de la société	2 Corporation No Nº de la société
vince or territory in Canada whated) (This province or territo Articles.)	nere the registered office is situated (or to be ry must be the same as the one listed in the sa	ince ou le territoire au Canada où se situe (ou se situera) le siège social correspondre à la province ou au territoire indique dans les statuts)
et address of Registered Offic	e - Adresse civique du siège social	
mailing address, if different	from that of registered office) - (si l'adresse postale diffè	rre de celle du siège social)
is required, using Form 4 L'adresse du siège socia	 in addition to this form (see paragraph 173(1) b) of the I doit se situer dans les limites de la province ou du territo 	oire indiqué dans les statuts à la rubrique 3. Sinon, il faut modifier les
statuts en déposant la fo	ormule 4, en plus de la présente formule (voir l'alinéa 173	(1) b) de la Loi).
vious Address of Registered C	Office - Adresse précédente du siège social	
		7. Considerate Enqualités da
	Signature	7 Capacity of - En qualité de
partmental Use Only age du ministère seulement	Printed Name - Nom en lettres moulées	
ée		Canada
20 (2001/11)		

Notice of Registered Office or Notice of Change of Registered Office FORM 3

General

If you require more information in order to complete Form 3, you may wish to consult the Incorporation Kit, the Amendment Kit, the Amalgamation Kit or the Continuance Kit

An electronic Form 3 can be filed on-line at the Corporations Directorate Electronic Filing Centre http://strategis.gc.ca/corporations or you can send it to the mailing address provided below.

Complete Items 1,3 and 4 for new corporations. Complete Items 1 to 6 for changes. Note: Where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s).

Item 1

The full legal name of the corporation.

Item 2

Complete only in the case of change of registered office.

Item 3

Set out the province or territory in Canada where the registered office is situated (or will be situated) as indicated in the Articles of the corporation.

Item 4

The full address at which the registered office is to be situated or to which it is to be changed.

Item 5

The date when the change of registered office is to take effect.

Item 6

The previous address of the registered office, if any.

Item 7

Indicate the capacity of the signing person. Form 3 must be signed by one of the following persons:

- a director of the corporation
- an authorized officer of the corporation
- an incorporator if it is a new corporation
- an authorized agent: an individual that has relevant knowledge of the corporation and who is authorized by the directors

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A OC8

Avis de désignation ou de changement du siège social FORMULE 3 INSTRUCTIONS

Généralités

Si vous désirez obtenir de plus amples informations afin compléter la formule 3, veuillez consulter le Recud'information sur la constitution, le Recueil d'information sur les modifications, le Recueil d'information sur les fusions ou Recueil d'information sur la prorogation / importation.

Recueil d'information sur la prorogation / Importation.

La version électronique de la formule 3 peut être dépose auprès du directeur par l'entremise du Centre de dépélectronique de la Direction générale des corporation http://strategis.gc.ca/corporations ou vous pouvez envoyer document à l'adresse indiquée au bas de cette page.

Remplir les rubriques 1, 3 et 4 pour les nouvelles sociétés. Remplir les rubriques 1 à 6 si des changements sor survenus. Nota : Lorsqu'exigé par la Loi, les changemen rapportés par le dépôt de cette formule doivent être autorise par les administrateurs.

Rubrique 1

La dénomination sociale complète de la société.

Rubrique 2

À remplir seulement dans le cas d'un avis de changement d siège social.

Rubrique 3

Indiquer la province ou le territoire où est situé (ou où situera) le siège social, tel qu'il est indiqué dans les statuts de la société.

Rubrique 4

L'adresse complète du siège social ou celle où il do désormais être situé.

Rubrique 5

La date à laquelle le changement du siège social doit prendreffet.

Rubrique 6

L'adresse précédente du siège social, le cas échéant.

Rubrique 7

Veuillez indiquer la qualité du signataire. La formule 3 doit êtr signée par une des personnes suivantes :

- un administrateur de la société
- un dirigeant autorisé de la société
- un fondateur de la société
- un agent autorisé : un particulier ayant une connaissance suffisante de la société et qui a l'autorisation des administrateurs

Le document complété doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean-Edmonds, sud 9ième étage 365, av. Laurier ouest Ottawa (Ontario) K1A OC8 Industry Canada

Industrie Canada

Canada Business Corporations Act

Loi canadienne sur les sociétés par actions

FORM 6 NOTICE OF DIRECTORS, NOTICE OF CHANGE OF DIRECTORS OR NOTICE OF CHANGE OF ADDRESS OF A PRESENT DIRECTOR

FORMULE 6 LISTE DES ADMINISTRATEURS, AVIS DE CHANGEMENT DES ADMINISTRATEURS OU AVIS DE CHANGEMENT D'ADRESSE D'UN ADMINISTRATEUR ACTUEL

	[SECTIONS 106 AND 113(1)]		[ARTICLES 106 ET 113(1)]	
of the Corporation - Dénomination sociale de la société		2	2 Corporation No N° de la société	
following persons became dire	ctors of this corporation - Les person	nnes suivantes sont devenues administ	rateurs de la présente s	ociété
Name - Nom	Effective Date Date d'entrée en vigueur	Residential Address - Adresse domiciliaire		Resident Canadian - Y Résident canadien - O
following persons ceased to be	e directors of this corporation - Les p	personnes suivantes ont cessé d'être ac	dministrateurs de la prés	ente société
Name - Nom	Effective Date Date d'entrée en vigueur Residential Address - Adresse domiciliaire			ire
directors of this corporation no	now are - Les administrateurs de la présente société sont maintenant Residential Address - Adresse domiciliaire		Resident Canadian - 1 Résident canadien - 0	
			Resident Canadian - Y Résident canadien - O	
nge of address of a present dir	ector - Changement d'adresse d'un	administrateur actuel		
Name - Nom	Effective Date Date d'entree en vigueur	Former Residential Address Adresse domiciliaire précédente		esidential Address a adresse résidentiel
	Signature		7 Capacity of - En qualité de	
ge du ministère seulement	Printed Name - Nom en lettres i	moulées		Canad

Canada Business Corporations Act

Notice of Directors. Notice of Change of Directors or Notice of Change of Address of a Present Director FORM 6 INSTRUCTIONS

General

If you require more information in order to complete Form 6, you may wish to consult the Incorporation Kit, the Amendment Kit, the Amalgamation Kit or the Continuance

An electronic Form 6 can be filed on-line at the Corporations
Directorate Electronic Filing Centre http://strategis.gc.ca/corporations or you can send it to the mailing address provided below.

Complete items 1 and 5 for new corporations.
Complete items 1 through 5 for changes. Note: Where required by the Act, the changes being reported by the filing of this form must be authorized by the director(s) or shareholder(s).

Set out the full legal name of the corporation.

Item 2

Always set out the corporation number when filing a Notice of Change of Directors or a Notice of Change of Address of a Present Director (Form 6).

Item 3, 4 and 6

With respect to each director.

(a) set out first given name, initial and family name;

(b) set out full residential address (not business address),

including postal code;

(c) refer to the definition of "resident Canadian" in the Canada Business Corporations Act and Canada Business Corporations Regulations (does not apply to Item 6).

Item 5

A corporation shall have one or more directors. However, under certain circumstances all directors may have resigned or have been removed without replacement. (See section 109(4) and 109(5) of the Act.)

Signature

Indicate the capacity of the signing person. Form 6 must be signed by one of the following persons:

- a director of the corporation an authorized officer of the corporation
- an incorporator if it is a new corporation
- an authorized agent: an individual that has relevant knowledge of the corporation and who is authorized by the directors

The information you provide in this document is collected under the authority of the *Canada Business Corporations* Act and will be stored in personal information bank number IC/PPU-049. Personal information that you provide is protected under the provisions of the *Privacy Act*. However, public disclosure pursuant to section 266 of the *Canada Business Corporations Act* is permitted under the Privacy Act.

Completed document is to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8

Loi canadienne sur les sociétés par actions

Liste des administrateurs. Avis de changement des administrateurs ou avis de changement d'adresse d'un administrateur actuel FORMULE 6 INSTRUCTIONS

Généralités

Si vous désirez obtenir de plus amples informations afin compléter la formule 6, veuillez consulter le Recu d'information sur la constitution, le Recueil d'information s les modifications, le Recueil d'information sur les fusions air les modifications, le Recueil d'information sur les fusions air que le Recueil d'information sur la prorogation / importatio La version électronique de la formule 6 peut être dépos auprès du directeur par l'entremise du Centre de dép électronique de la Direction générale des corporation http://strategis.gc.ca/corporations ou vous pouvez envoyer document à l'adresse indiquée au bas de cette page.

Remplir les rubriques 1 et 5 pour les nouvelles sociétés. (Remplir les rubriques 1 à 5 si des changements so survenus.) Nota : Lorsqu'exigé par la Loi, les changemen rapportés par le dépôt de cette formule doivent être autoris par les administrateurs ou les actionnaires.

Rubriaua 1

Indiquer la dénomination sociale complète de la société.

Rubrique 2

Indiquer toujours le numéro de la société lors de l'envoi d'i Avis de changement des administrateurs ou d'un avis changement d'adresse d'un administrateur actuel (Formule 6

Rubrique 3, 4 et 6 En ce qui concerne chaque administrateur :

a) indiquer son prénom, ses initiales et son nom de famille;

b) donner l'adresse complète de son domicile (non si adresse d'affaires) en incluant le code postal; c) consulter la définition de "résident canadien" dans la Loi le Règlement sur les sociétés par actions de régime fédéral (la c'applique page à la substitute de la constitute de la consti s'applique pas à la rubrique 6).

Rubrique 5

Le conseil d'administration d'une société doit se compos d'un administrateur ou plus. Toutefois, circonstances particulières, il se peut que tous administrateurs aient démissionné ou soient révoqués sa être remplacés. (Voir article 109(4) et 109(5) de la Loi.)

Signature

Rubrique 7

Veuillez indiquer la qualité du signataire. La formule 6 doit êt signée par une des personnes suivantes :

- un administrateur de la société un dirigeant autorisé de la société

- un fondateur de la société

- un agent autorisé : un particulier ayant une connaissance suffisante de la société et qui a l'autorisation des administrateurs

Les renseignements que vous fournissez dans ce docume sont recueillis en vertu de la Loi canadienne sur les sociét par actions et seront emmagasinés dans le fichier renseignements personnels IC/PPU-049. Les renseignemen personnels que vous fournissez sont protégés par l dispositions de la *Loi sur la protection des renseignemen* personnels. Cependant, la divulgation au public selon l termes de l'article 266 de la *Loi canadienne sur les sociét* par actions est permise en vertu de la Loi sur la protection d renseignements personnels.

Le document complété doit être envoyé au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean Edmonds, sud 9ième étage 365 av. Laurier ouest Ottawa (Ontario) K1A 0C8

Industry Canada

Industrie Canada

Canada Business Loi canadienne sur les sociétés par actions

FORM 22 ANNUAL RETURN (section 263)

FORMULE 22 RAPPORT ANNUEL

(article 263)

Filing for Year - Dépôt pour l'année

Instructions on the Reverse Side - Voir les instructions au verso		
Corporation Name and Registered Office Address - Dénomination sociale de la société et adresse du siège social	2 Corporation No. · N° de la société	
	3 Business No Nº d'entreprise	
(and mailing address, if different from that of registered office) - (ainsi que l'adresse postale si elle diffère de celle du siège social)	4 Taxation Year M D - J End Fin de l'année d'imposition	
Main Types of Business - Catégories principales d'activité commerciale		
Has there been a change of director(s)? Est-ce qu'il y a eu un changement d'administrateur(s) ? Yes - Oui No - Non If yes, has Form 6 been: - Si oui, la formule 6 a-t-elle été : 7 Has there been a change of registered Est-ce qu'il y a eu un changement du s Yes - Oui No - If yes, has Form 3 been: - Si oui, la formule 6 a-t-elle été :	siège social ? Non	
Filed - Déposée Attached - Appoyée	rhed - Annexée	
Date of Last Annual Meeting Date de la dernière assemblée annuelle Y - A M D - J 9 Is the Corporation a distributing corpor a reporting issuer? La société est-elle une société ayant fa au public ou un émetteur assujetti?	Yes No	
- Does the corporation have more than 50 shareholders? La société a-t-elle 50 actionnaires ou plus ? Yes - Oui No - Non		
- Does the Corporation have in place a unanimous shareholder agreement referred to in subsection 146(1) of the Act that the powers of the directors? La société dispose-t-elle d'une convention unanime des actionnaires visée au paragraphe 146(1) de la Loi qui restreint les pouvoirs des administrateurs ?	V Di	
- Jurisdictions in which the corporation is carrying on business - Provinces et territoires où la société exerce ses activités		
/Territory-Prov./Territoire Address of the principal place of business or address for service - Adresse principale de la soci	été ou adresse aux fins de signification	
Signature Printed Name - Nom en lettres moulées	13 Capacity of - En qualité de	
DEPARTMENTAL USE ONLY - A L'USAGE DU MINISTÈRE SEULEMENT	1	
Received de réception Validation Key Code - Code clé Cheque - Chèque	Amount - Montant	

ANNUAL RETURN FORM 22 INSTRUCTIONS

General In accordance with section 263 of the Canada Business Corporations Act and with section 5 of the Canada Business Corporations Regulations (2001), a corporation must submit to the Director an annual return with the required fees within 6 months of its taxation year-end as defined by the Income Tax Act. An electronic Form 22 can be filed and payment made on-line at the Corporations Directorate Electronic Filling Centre http://strategis.gc.ca/corporations or you can send it to the mailing address provided below. The prescribed fees are \$40.00 if the completed form is faxed or mailed to the Corporations Directorate's Electronic Filing Centre. Fees are payable to the Receiver General for Canada.

Item 4
State the date of the corporation's taxation year end as defined by the Income Tax Act.

State the main business, or businesses of the corporation, indicating, where possible, the corporation's standard industrial classification code (S.I.C.C.).

Item 6 Indicate whether there has been any change of directors since the last annual return and whether a notice of change of directors (Form 6) has been filed. Note that under subsection 113(1) of the Act a notice of change of directors must be filed within fifteen (15) days of a change of directors. Note that where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Item 7 Indicate whether there has been any change of registered office since the last annual return and if a notice of change of registered office (Form 3) has been filed. Note that under subsection 19(4) of the Act a notice of change of registered office must be filed within fifteen (15) days after a change of registered office. Note that where required by the Act, the changes being reported by the filing of this Form must be authorized by the director(s) or shareholders.

Indicate the date of the last annual meeting. Note that a resolution in lieu of a meeting, in writing and signed by all shareholders entitled to vote is acceptable if respecting the requirements of s. 142 of the CBCA.

Item 9 indicate whether the corporation is a "distributing corporation", as defined in subsection 2(1) of the Act.

Note: If a corporation is not a distributing corporation and has less than 50 shareholders, it is not required to send a form of proxy (s. 149(2)).

Indicate whether a unanimous shareholder agreement is in place. Pursuant to subsection 146(1), a "unanimous shareholder agreement" is a written agreement among all the shareholders of a corporation that restricts, in whole or in part, the powers of the directors to manage or supervise the management of the business and affairs of the corporation by giving to the shareholders certain powers usually conferred to the board of directors.

Item 12
For each provincial/territorial jurisdiction in which the corporation is carrying on business, including the operation of an enterprise, or possesses an immoveable real right, other than a prior claim or hypothec, state the address of the principal place of business or address for service, including the city and the postal code. If there is not enough room, please attach a piece of paper with the additional information. A corporation is presumed to be "carrying on business" if it has an address in the province/territory or having there, either directly or through the agency of a representative acting under a general mandate, an establishment, a post office box or the use of a telephone line, or carrying out in the province/territory any act for the purpose of profit. This information is being collected as part of an initiative which may eventually eliminate the need to register in each province or territory in which the corporation carries on business. At this time, the filling of forms is still required at the provincial level. time, the filing of forms is still required at the provincial level.

Indicate the capacity of the signing person. Form 22 must be signed by one of the following persons:

a director of the corporation
 an authorized officer of the corporation
 an authorized agent: an individual that has relevant knowledge of the corporation and who is authorized by the directors

The completed document and fees payable to the receiver General for Canada are to be sent to:

The Director, Canada Business Corporations Act Jean Edmonds Towers, South 9th Floor 365 Laurier Ave. West Ottawa, Ontario K1A 0C8 or by facsimile at (613) 941-0999

RAPPORT ANNUEL FORMULE 22 INSTRUCTIONS

Généralités
En vertu de l'article 263 de la Loi canadienne sur les sociétés par actions de l'article 5 du Règlement sur les sociétés par actions de régime fédéra (2001), toute société doit soumettre au directeur un rapport annu accompagné des droits requis dans les 6 mois après la fin de l'anné financière. La version électronique de la formule 22 peut être déposée a directeur et le paiement effectué par l'entremise du Centre de dépé felectronique de la Direction générale des corporation http://strategis.gc.ca/corporations ou vous pouvez envoyer le document l'adresse indiquée au bas de cette page. Les droits requis sont de 40.00 s la formule est envoyée par télécopieur ou par courrier à la Direction général des corporations ou de 20.00 s si la transaction est effectuée par l'entremis du Centre de dépôt électronique de la Direction générale des corporations. Le droits sont payables au receveur général du Canada.

Rubrique 4
Donner la date de la fin de l'année d'imposition de la société telle qu'elle et définie dans la *Loi de l'impôt sur le revenu*.

Rubrique 5
Donner la ou les principales activités de la société en utilisant, si possible, code de classification des activités économiques.

Rubrique 6 Indiquer s'il y a eu un changement des administrateurs depuis le dernie rapport annuel et si un avis de changement des administrateurs (formule 6) été déposé. En vertu du paragraphe 113(1) de la *Loi*, un avis de changement des administrateurs doit être fourni dans les 15 jours suivant un changement Nota: Lorsqu'exigé par la *Loi*, les changements rapportés par le dépôt dette formule doivent être autorisés par les administrateurs ou le actionnaires.

Rubrique 7

Rubrique 7 indique 7 indique s'il y a eu un changement du siège social depuis le dernier rappoi annuel et si un avis de changement du siège social (formule 3) a été déposé En vertu du paragraphe 19(4) de la Loi, un avis de changement du siège social doit être fourni dans les 15 jours suivant un changement. Nota Lorsqu'exigé par la Loi, les changements rapportés par le dépôt de cett formule doivent être autorisés par les administrateurs ou les actionnaires.

Rubrique 8 Indiquer la date de la dernière assemblée annuelle. Veuillez noter qu'un résolution tenant lieu d'assemblée, écrite et signée par tous les actionnaire habiles à voter est acceptable si elle respecte les exigences de l'article 142 d

Rubrique 9 Indiquer si la société est une "société ayant fait appel au public" tel que défin au paragraphe 2(1) de la Loi. Nota: Si la société n'est pas une société ayant fait appel au public et si elle moins de 50 actionnaires, elle n'est pas tenue d'envoyer le formulaire d procuration [article 149(2)].

Rubrique 11 Indiquer si la société est assujettie à une convention unanime des actionnaire visée à l'article 146(1) de la Loi. Une convention unanime des actionnaires es une entente écrite liant tous les actionnaires de la société et qui restreint à tout ou en partie les pouvoirs des administrateurs de gérer les activité commerciales et les affaires internes de la société ou d'en surveiller gestion, en donnant aux actionnaires certains pouvoirs qui sont normalement conférés aux administrateurs.

Rubrique 12
Pour chaque province / territoire où la société exerce ses activités, incluar l'exploitation d'une entreprise, ou y possède un droit réel immobilier autr qu'une priorité ou une hypothèque, indiquer l'adresse principale de la société ou l'adresse pour fin de signification incluant le nom de la ville et le cod postale. S'il n'y a pas suffisamment d'espace, veuillez joindre une feuill supplémentaire contenant l'information additionnelle. Une société es présumée exercer une activité ou exploiter une entreprise si elle possède un adresse dans la province/territoire ou qui, par elle-même ou par l'entreprise don représentant agissant en vertu d'un mandat général, possède u établissement ou un casier postal ou dispose d'une ligne téléphonique dans province/territoire, ou y accomplit un acte dans le but d'en tirer un proficette information est demandée à la suite d'une initiative qui pourra éventuellement éliminer l'obligation d'enregistrement dans chaqu province/territoire où la société exerce ses activités. Pour l'instant, le dépt des formules au niveau provincial est encore obligatoire.

Rubrique 13 Veuillez indiquer la qualité du signataire. La formule 22 doit être signée pa une des personnes suivantes :

un administrateur de la société
 un dirigeant autorisé de la société
 un agent autorisé : un particulier ayant une connaissance suffisante de la société et qui a l'autorisation des administrateurs

Le document complété et les droits payables au receveur général du Canad doivent être envoyés au :

Directeur, Loi canadienne sur les sociétés par actions Tours Jean Edmonds, sud 9ième étage 365, ave Laurier ouest Ottawa (Ontario) K1A 0C8 ou par télécopieur ou (613) 941-0999







